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Chair: The Honourable Judy A. Sgro





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• (1605)

[English]

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

Welcome to meeting number 109 of the Standing Committee on International Trade.

Before we begin, I need to ask all members and other in-person participants to consult the cards on the table for guidelines to prevent audio feedback incidents. Please take note of the following preventive measures: Use only an approved black earpiece. Keep your earpiece away from the microphone at all times, and when not using the earpiece, please place it face down on the sticker placed on the table. Thank you for your consideration.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, October 17, 2023, the committee is resuming its study of the 2026 CUSMA review.

We have with us today—hopefully—from the Brookings Institution, Joshua Meltzer.

From the Canadian Labour Congress, we have Siobhán Vipond, executive vice-president; and Elizabeth Kwan, senior researcher.

With us from the Canadian Trucking Alliance is Stephen Laskowski, president; and Lak Shoan, director, policy and industry awareness, by video conference.

From GT and Company Executive Advisors, we have Steve Verheul, principal.

Welcome in a different capacity, Steve.

From the Quebec Network for Inclusive Globalization, we have Claude Vaillancourt, member and spokesperson—again, by video conference.

While we're trying to get Mr. Meltzer connected, we will start with the Canadian Labour Congress.

Ms. Vipond, please, the floor is yours for up to five minutes.

**Ms. Siobhán Vipond (Executive Vice-President, Canadian Labour Congress):** Good afternoon, Chair and members of the standing committee. I am Siobhán Vipond, and I'm the executive vice-president of the Canadian Labour Congress.

The CLC is Canada's largest labour body and speaks on issues of national importance for three million unionized workers in every

sector across the country. We welcome the opportunity to provide input on the 2026 CUSMA review.

The impact of CUSMA on Canadian workers cannot be overstated, and the importance of the 2026 CUSMA review cannot be overstated either. The review is one of the key priorities for Canada's unions.

CUSMA came into force on July 1, 2020, and no one could have anticipated the number and magnitude of global and domestic disruptions since 2020 affecting trade. The review will take place in potentially different political configurations, given that all three countries have federal elections before 2026.

Canada's enduring goal for the review must be strategic rather than perfunctory. Canada must align with the U.S.'s worker-centred trade approach that is beneficial for workers, powered by workers and directly engages unions from the start. A worker-centred approach will deliver good-paying jobs by increasing the growth of unions and helping strengthen obligations and implementation of CUSMA in labour, environment and inclusive trade chapters. For instance, strong climate change commitments and obligations must be added to the environment chapter at the review, given the significant impact on jobs.

Chair, our recommendations for the review engagement are as follows.

As part of a worker-centred trade approach, the government must actively engage with the CLC on a par with the current level of engagement in the U.S. between government and the AFL-CIO. The government should establish a tripartite CUSMA review task force of government, unions and businesses to identify, review and make recommendations on priority issues for Canada, and the government must conduct meaningful consultations with unions and other civil society stakeholders.

In the review, the government should elevate the worker-centred approach through the robust implementation of obligations in the labour chapter, which includes improving and expanding the application of the rapid response mechanism; advancing full compliance to prohibit the importation of goods produced by forced labour; addressing violence against workers exercising their labour rights; enforcing obligations regarding discrimination based on sex, sexual orientation and gender identity; and ensuring more labour rights and protections for migrant workers.

We wish to underscore that Canada is out of step with the U.S. in three key areas: a worker-centred trade approach, the utilization of the RRM—the rapid response mechanism—and a prohibition on the importation of goods produced by forced labour. The CLC urges the government to close these gaps in the review in order to deliver more benefits for Canadian workers and communities.

The agenda for the review is shaping up, with the U.S. and Mexico signalling the issues they intend to bring to the table. Mexico wants the rapid response mechanism to apply to the U.S. and Canada, which is not the case now. The U.S. plans to raise their concern with Canada's digital service tax and the long-standing tensions with supply management of dairy. The U.S. may also table the perennial trade irritants of softwood lumber and automotive rules of origin.

The threat of China's very aggressive moves to gain EV market share globally and in North America is anticipated to be prominently featured in the renewal discussions. In May, the U.S. imposed massive tariff increases on Chinese goods, including 100% tariffs on Chinese EVs, and substantial increases for lithium-ion EV batteries and semiconductors. Canada is contemplating whether it will follow suit. There are also fears that Chinese investments in Mexico EV manufacturing may be coming, and CUSMA may be used to enable exports to the U.S. and Canada, circumventing any direct tariff measures in place. The CLC agrees with the need to protect EV jobs and manufacturing against Chinese exports to North America and looks to the CUSMA review to shore up protections.

Canada's unions have two opportunities to propose worker-centred propositions to improve labour rights and obligations in CUSMA. The first is the upcoming five-year review of the implementation and operation of the CUSMA labour chapter in 2025, and the second is the 2026 CUSMA review, where labour can advocate for workers in the other chapters.

The CLC will be there, fighting for Canadian workers every step of the way.

Thank you.

• (1610)

**The Chair:** Thank you very much.

We move on to Mr. Laskowski, please, for up to five minutes.

**Mr. Stephen Laskowski (President, Canadian Trucking Alliance):** Thank you, Madam Chair, and thank you, committee members.

I'm joined on the screen by Lak Shoan, our director of policy responsible for the files I'm talking about.

First off, I'd like to thank the committee for bringing it to our attention, and to the attention of the business sector and labour, that you are preparing for the CUSMA reviews well in advance of them. I congratulate you, and we look forward to the opportunity.

Very briefly, the Canadian Trucking Alliance is in fact that—an alliance of the seven provincial trucking associations across Canada. Together we have 5,000 members, representing about 250,000 employees.

With regard to NAFTA and CUSMA, they've benefited all three countries and, by extension, all three of the trucking sectors. The trucking sector in Canada and the United States moves Canada-U.S. trade primarily.

With regard to CUSMA itself, our main message is this: Let's not forget about the trucks that move the trade. A lot of focus, as it needs to be, is on the trade of goods between our countries and how they can flourish. However, they can't flourish if they can't get to market. One thing the pandemic showed everyone across society is what a supply chain is and who moves it. When the trucks have a problem, the supply chain has a problem.

What we want to do in the 2026 review is ensure that CUSMA looks at every opportunity there is to improve the efficiency of the Canadian trucking industry in moving U.S. exports into Canada and, obviously, our imports into the United States.

There are two main issues that we will be, and are, working on with the Government of Canada that may be an opportunity under the CUSMA review. One is the repositioning of foreign empty trailers. Currently, it is illegal for a Canadian trucking company to reposition an empty trailer in the United States, and vice versa. It is not illegal if you wait for that trailer to be unloaded and then move the same one. Folks, basically we have a trailer debate. The modern economy doesn't move like that in the supply chain. The most efficient way to move goods in the supply chain is to move a trailer in that's full, drop it and move an empty one. That's all we're asking on both sides of the border.

Minister Alghabra, a previous transport minister, has already indicated to the United States—in very different language, but I'll be more direct—that we're ready when they are. What we'd like to do under CUSMA is see how we can move the Americans towards this system. It's great for their exports and it's great for our imports, etc.

The other issue we would like to see addressed during the CUSMA review, if not before, is in-transit movements. Basically, this allows trucks in Canada to move domestically through the United States. Currently, we allow the Americans to do the same thing. If goods want to move between Michigan and New York State, they can move through Ontario. We allow it. The Americans do not allow us to move goods between Ontario and Vancouver. You can pick an example. It doesn't really matter. I used that example because as the floods happened, we were able to get temporary relief and 4,500 loads moved that way. There is a demand for it. If not before CUSMA, we are hoping that CUSMA addresses that.

There are other items that we will be working on with the Government of Canada. I'll just be very quick here. Under the U.S.-Canada tax treaty there are examples. There are U.S. legal system threats to trade. What we mean by that one specifically, really quickly, is that there are many "nuclear verdicts". A nuclear verdict is defined as anything over \$10 million. That is causing great concern for Canadian trucking companies moving goods into the United States. There are some domestic moves in the United States limiting these nuclear verdicts on trucking.

Can CUSMA deal with nuclear verdicts through the NAFTA-CUSMA agreement? That's a question that the Canadian industry has. Can international cargo and fraud theft be dealt with under CUSMA? Can joint border inspections and efficiencies at the border be dealt with under CUSMA?

Obviously, we have one question for which we do not have answers. For the other ones, we have some answers—or we think we do.

• (1615)

Currently for the emerging market of Mexico, most of that trade moves by rail, but will there come a time when there will be North American movement of trucks from Mexico all the way into Canada? If so, what needs to be done to examine that? We are asking the question during the CUSMA review to see what those opportunities are.

Those are my initial comments, Madam Chair. I look forward to taking questions, and again I just want to thank the committee for this opportunity and to mention how important it is that we be prepared, in our sector and in others, for this opportunity, because nothing has greater economic importance with respect to trade between the United States and Canada.

Thank you, Madam Chair.

**The Chair:** Thank you very much.

Let's give Mr. Meltzer a try now and see if he's connected properly.

Go ahead, sir. You have five minutes.

**Mr. Joshua Meltzer (Senior Fellow, Brookings Institution):** Thank you.

It's my pleasure to be here today before the House of Commons standing committee to testify on CUSMA and the joint review in 2026.

I'm a senior fellow at the Brookings Institution, where I lead the USMCA initiative. This initiative was established shortly after the overwhelming bipartisan support for the agreement in Congress, where we saw an opportunity in this vote and its support by key U.S. labour unions to reset the conversation around North American economic integration.

We've done this by providing a tracker of all the trade investment and jobs from North America trade across all states, provinces and countries. For instance, we've found that CUSMA supports approximately 17 million jobs across North America.

We also track the parties' compliance with their CUSMA obligations and have established a scorecard that allows us to compare compliance by each government and assess how far each government is from compliance. It's actually my pleasure to report to you that the Canadian government is the least non-compliant party to CUSMA.

We also produce reports and analysis, including our annual "USMCA Forward" report, which assesses progress each year and looks forward to what more can be done to build a more competitive, inclusive and sustainable economic relationship across North America.

We've had the honour of contributions from a number of very senior cabinet ministers, including Minister Ng, Minister Champagne and Minister Wilkinson, in addition to business leaders such as Paul Desmarais Jr., CEO of Power Corporation, and Goldy Hyder, president of the Business Council of Canada, as well as other Canadian thought leaders from civil society and academia.

This is clearly a pivotal time for the United States and the world when it comes to international trade. The current system of world trade, which is based on the WTO, is being challenged by geopolitical competition, heightened risks from dependence on trade with countries such as China, and unfair competition.

North American trade and investment ties have always been critical for the prosperity of Canada, the U.S. and Mexico. CUSMA is the agreement around which this economic co-operation is based. More than a traditional trade agreement, it is a blueprint to realize the potential of an integrated, competitive North American region. Since it was signed three and a half years ago, it has contributed to boosting trade and investment across the region, creating thousands of jobs and raising labour standards.

I know this is not news to you, but worth stating for the record is that CUSMA is the most important trade agreement for all three countries. In Canada, 78% of exports go to its North American partners, over 85% of Mexico's exports go to its North American partners, and around 30% of U.S. exports go to Mexico and Canada, which is over four times the U.S. exports to China. A lot of this is in intermediate goods crossing back and forth to make complex goods like cars, medical equipment, IT products, pharmaceuticals and more.

In 2023, trade in North America was about \$1.85 trillion, or about \$3 million a minute. There's been a 47% increase in North American trade since 2020, when CUSMA came into effect. Since 2020, an estimated additional four million jobs have been created across North America, on top of the total of 17 million jobs noted before. The economic importance of CUSMA is clear.

I want to turn briefly now to the geopolitical importance of CUSMA.

On the one hand, the last few years have shown us some of the risks as well as the resiliency of supply chains across North America. COVID-19 showed the risks of relying on China for medical equipment compared with the strong performance of North American supply chains in delivering on medical equipment and more.

Russia's invasion of Ukraine has impacted trade in agricultural commodities and demonstrated the global trade impacts of even localized conflict.

Trade relations have been fundamentally rethought in light of geopolitical competition with China. This is due to a number of challenges, including the need to respond to China's economic model, which provides enormous subsidies to manufacturing, which leads to an oversupply of products—increasingly in high-tech areas such as EVs. With low domestic demand, the result of this economic model is increasing reliance by China on exports to North America and Europe, in particular, to absorb the excess production.

China has also demonstrated that when countries rely on it as a source of supply or as a market for its exports, China will use this leverage to coerce co-operation to achieve other political objectives. The U.S. talks about de-risking trade with China by creating alternative sources of supply, particularly for products that are critical for economic and national security, but to de-risk will require even closer North American co-operation, even more trade and investment, and a bigger vision for what we can achieve together on climate, digital, labour, worker training and more. This is where CUSMA is so important, both economically and as a geostrategic opportunity.

Let me now turn to the joint review briefly. I'm not going to list what the joint review will require, but I just want to make the following points.

Failure to renew CUSMA in 2026 will increase business uncertainty, increasing the risk and cost of investment, and thus reduce the trade needed to achieve the economic and geostrategic goals outlined below.

• (1620)

Between now and 2026, there will be elections in the United States and in Canada. The outcome of the U.S. presidential election is perhaps the most important in determining whether there will be a successful renewal in 2026. What is clear is that for whoever is in the White House, the need for renewal of CUSMA will be used to push for resolution of specific trade issues.

The joint review provides an opportunity to develop a forward-looking agenda on what the three countries can do to strengthen North American competitiveness, build more secure and more resilient supply chains, make progress on building a more digitally aligned North American market, and further develop North America as a source of investment stability and strength when it comes to geostrategic competition with China.

To achieve this will require addressing outstanding trade irritants, where possible, before the joint review. Bringing outstanding issues arising from past CUSMA disputes into the joint review would risk missing this opportunity to use the joint review to build a forward agenda and increase the risk that we will not achieve renewal of the agreement in 2026.

Thank you. I look forward to answering any further questions you may have.

• (1625)

**The Chair:** Thank you very much.

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

**Mr. Steve Verheul (Principal, GT and Company Executive Advisors):** Good afternoon. Thank you for the invitation to speak with you this afternoon.

The CUSMA review on July 1, 2026, is shaping up to be a potentially critical turning point in Canada's trading relationship with the U.S. How the review turns out could go a long way towards determining if we will continue down the path towards a more integrated North American market or whether the U.S. will go further down the track of going it alone.

No matter what happens in the U.S. election on November 5, Canada will face significant challenges with the U.S. on trade. Both Republicans and Democrats, though seemingly more divided than ever, are both more protectionist and more interventionist than previous U.S. administrations.

The joint review, which is unique among trade agreements, requires that all three parties commit in writing that they want the agreement to continue. If any of the three do not make this commitment, there will be annual reviews until the agreement expires in 2036, or until all three parties agree to extend it for another 16 years.

The review clause is not a good fit in a trade agreement. Trade agreements are intended to last indefinitely so as to give confidence to businesses and investors about the rules of the game. Like NAFTA, CUSMA already has a withdrawal clause and a clause that allows provisions to be added, changed or removed at the agreement of parties. The only reason the review clause is in the agreement is that the U.S. wanted to build in leverage for it to seek changes to the agreement on an ongoing basis, but this undermines confidence in the agreement and introduces ongoing uncertainties.

The review is still more than two years away, but already business communities in all three countries are concerned about it. That uncertainty around the review clause is compounded by elections that will take place in all three countries before the review, and we know that Mexico just finished their election a couple of days ago.

Mexico and Canada will almost certainly support continuation of the agreement, given their reliance on the U.S. market. With the world increasingly trending towards regional markets, it is also in the U.S.'s interest to support a strong North American market. However, both Democrats and Republicans in the U.S. have suggested that the review could be used to renegotiate some elements of the agreement. Both Katherine Tai, the current U.S. trade representative, and Robert Lighthizer, the former U.S. trade representative, have suggested that the review could be used to address the panel decision the U.S. lost on the automotive rules of origin.

Katherine Tai has also suggested that the issue of dairy could be revisited after the U.S. failed to achieve its objectives in two dispute settlement panels. If the U.S. seeks to reverse dispute settlement decisions in the review, it will undermine confidence not only in the dispute settlement process but also in the agreement overall.

There are also various other contentious issues that could be part of the review—more so with Mexico than with Canada—but a better approach would be to focus on common challenges to the North American market. Three weeks ago, the U.S. took action against imports from China of electric vehicles, batteries, critical minerals and some other products, but all three CUSMA parties face challenges from China because of unfair trading practices and security concerns. Rather than all three parties following their own paths on these issues, it would be far better for them to take a more coordinated approach to these challenges.

USTR Tai has also talked about addressing challenges posed by new dynamics caused by the pandemic and by climate change in the review. A North American approach to addressing these kinds of issues would have a positive impact and open up new opportunities for growth.

The review clause in itself creates unwelcome uncertainty for business. More significant impacts will depend on whether or not a fractious review can be avoided, what specific issues may be opened or reopened in the review, and whether the parties can instead pursue a more common forward-looking North American agenda.

Thank you, Madam Chair.

**The Chair:** Thank you very much.

Our last witness is Mr. Vaillancourt, please, for up to five minutes.

[*Translation*]

**Mr. Claude Vaillancourt (Member and Spokesperson, Quebec Network for Inclusive Globalization):** Thank you very much to the committee for the invitation to appear before you today.

I represent the Réseau québécois pour une mondialisation inclusive, or RQMI, formerly the Réseau québécois sur l'intégration continentale, and we are union organizations and individuals concerned by the need for fair trade. I am also a member of ATTAC-Québec, an association that advocates for tax, social and environmental justice.

With regard to the Canada-United States-Mexico Agreement, or CUSMA, the irritants for us are not so much trade-related. They concern human rights, the common good, the environment, democracy and people's living conditions. In the past, free trade agreements have too often worked against these priorities in order to satisfy commercial interests. We're not the only ones saying this.

In CUSMA, we recognize some progress from the North American Free Trade Agreement, or NAFTA. We especially appreciated the elimination of the investor-state dispute settlement mechanism, or ISDS, in chapter 11, although it was not as complete and quick as we had hoped. Canada is still being sued by the Ruby River Capital company. In addition, Mexico is not entirely immune to this type of lawsuit. Despite this, CUSMA set a good path forward. From now on, Canada should no longer include an investor-state dispute settlement mechanism in its free trade agreements.

CUSMA makes it possible to better regulate working conditions, particularly with a view to eliminating forced labour and violence against workers and labour organizations. However, several aspects of CUSMA remain problematic. The chapter on the environment, for example, seems woefully inadequate to us. Given the climate emergency we're experiencing and the loss of biodiversity, the agreement needs a significant update. It should be more restrictive to achieve environmental protection objectives.

In our view, it's important that the text of the agreement not hide the realities we're facing and that it contain certain keywords, such as "global warming", "climate change", "hydrocarbons", "methane" and "greenhouse gases". CUSMA should also refer directly to the recommendations of the Intergovernmental Panel on Climate Change, or IPCC, and add two agreements signed by the three parties to the list of multilateral agreements on the environment in chapter 7: the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Article 24.9 on the protection of the ozone layer is a good example to follow.

We're concerned about chapter 28 on good regulatory practices, which makes it more difficult for governments to regulate in favour of the common good. The parties must publish a list of the regulations they want to adopt within a year, pursuant to article 28.6. They must also justify regulations proposed by scientific analyses, which may be contradicted, as unanimity does not always exist in cutting-edge science.

During the regulatory impact assessment, article 28.11 requires the parties to justify the need for a proposed regulation, to consider other regulatory and non-regulatory alternatives, and to explain the benefits and costs of the selected alternative over other feasible alternatives considered.

Finally, article 28.13 sets out procedures for determining whether regulations made should be amended or repealed. All of these procedures, which are very cumbersome and open the door for corporate lobbyists to influence decisions, urge governments to regulate less to avoid engaging in a process that's not very encouraging. That's why we're recommending that chapter 28 be repealed.

Other aspects seem problematic to us. We regret the weakening of supply management, which affects dairy farmers' incomes, product quality and rural life dynamics. CUSMA tends to favour large farms over small and medium-sized family farms, which has a detrimental impact on the local environment of communities due to feces management, widespread pesticide use and contamination of soil, water bodies and groundwater.

While CUSMA may seem more socially advanced than NAFTA, there are still significant irritants that prevent us from seeing it as a truly beneficial agreement for all Canadians.

Thank you very much for your attention.

• (1630)

[English]

**The Chair:** Thank you very much.

We'll go on to the members. We have Mr. Seeback for six minutes, please.

**Mr. Kyle Seeback (Dufferin—Caledon, CPC):** Thank you very much, Madam Chair.

I want to talk about some of the issues that I see that I kind of call as “own goals”, as we look at the review that's coming in 2026.

The first one was the threat to implement a unilaterally implemented digital services tax, which has raised a lot of unhappiness in the United States. Ten members of Congress wrote a joint letter to Katherine Tai with respect to it—this was from both parties. Michael Plowgian, the top U.S. Treasury official, said this is a critical issue, and that “Implementation of a DST by Canada would seriously undermine the Pillar One negotiations.”

I just wonder if perhaps Mr. Verheul and Mr. Meltzer would like to comment on this. Do you think this is a productive thing for Canada to be doing, going outside the OECD negotiations, threatening to implement unilaterally a digital services tax, and retroactively collect it for the three previous years? Is this something that's going to enhance our position when we're negotiating the CUSMA review with the United States?

• (1635)

**Mr. Steve Verheul:** Well, I think certainly the DST issue has the potential to cause some friction if things continue as they are.

As members are probably aware, pillar one discussions at the OECD are under way now, and they are seeking to reach an agreement within the coming weeks or months.

If they do reach an agreement, then I think that issue gets very much easier and Canada could be able to land in the right spot. However, if those discussions fail at the OECD, then I think Canada does have a dilemma. Do they go ahead and implement it—because, as you know, it's not implemented yet—or do they find some other kind of approach? In a scenario where the pillar one discussions fail entirely, there's a tough choice.

**Mr. Kyle Seeback:** Mr. Meltzer, would you comment?

**Mr. Joshua Meltzer:** I agree with that observation by Steve. I think, where possible, doing this multilaterally through the OECD is clearly the best outcome. I think that there are a couple of concerns with digital DSTs from a U.S. perspective. One is that there have been various DST proposals, not just in Canada but in other countries, so part of the concern that the U.S. has with the DST in Canada, I think, is its precedential implications. It green-lights and provides cover for other countries going down that pathway. Whatever the actual economic impact of that tax is going to be, I think the precedential implications will focus minds in the U.S. as well.

I don't want to get into the weeds, but I think there are genuine questions around the retroactivity elements to it, which you mentioned. The fact that it's a tax on revenue rather than profits can create various perverse incentives for businesses. That's a genuine issue, I think, for Canada in terms of the design of the DST. However, it's clearly one of those irritants that will come up, I would expect, in the lead-up to the joint review.

**Mr. Kyle Seeback:** Would both of you describe that as something that the United States would raise as an irritant in the renewal of CUSMA, if Canada did unilaterally implement this tax?

**Mr. Joshua Meltzer:** I think that everything's on the table, potentially. My view is that whoever's in the White House next year will have a list of bilateral trade arrangements with Canada that we may try to resolve in some shape or form before the joint review, but they will certainly be carried into the review if they're not resolved.

**Mr. Kyle Seeback:** Mr. Verheul, I'm sure you're familiar with Bill C-282. It was passed by Parliament, but I'm certainly not a supporter of that piece of legislation. I think it's another trade irritant with the United States that could cause trouble in a CUSMA review. If that bill receives royal assent, do you see that as irritating our American trading partners as we get into this CUSMA review and something that they would raise in a renegotiation?



**Mr. Steve Verheul:** Well, I'm not sure it will be a significant concern for the U.S. in the current context, because both of the panels that they took against Canada had to do with allocation policies for quotas under the tariff rate quotas.

Bill C-282 talks about prohibiting increases in tariff rate quotas and reductions in tariffs. Those issues aren't really under discussion between Canada and the U.S. when it comes to the dairy concerns that the U.S. has. Their concerns are about the allocation policy. Setting aside what Bill C-282 may imply for other negotiations, I don't see it coming up in the review, because that's not the target of the U.S. at this point.

• (1640)

**Mr. Kyle Seeback:** The CLC mentioned forced labour.

Canada has a terrible track record, as it exists right now, of stopping goods made with forced labour from coming into the country. The United States has seized billions of dollars in goods. They created an entities list. They update it. They have a reverse onus. If they suspect any goods coming into their country of being made with forced labour, the company bringing those goods in has to prove they're not.

Canada decided, under the current Liberal government, that the threshold would be that Canada has to prove they're made with forced labour. They don't have an entities list and they've set the threshold very high.

I think this is a huge problem. It's taking away Canadian jobs, good union jobs. I think it's also going to be an irritant with the United States.

Do any of the witnesses want to comment on that, if you share my view?

**The Chair:** Unfortunately, your time is a minute over. You were on such a roll that I really didn't want to interrupt you.

The witnesses could possibly answer Mr. Seeback's question while we're going on here at some point or another.

We can go on to the next questioner. Go ahead, Mr. Arya.

**Mr. Chandra Arya (Nepean, Lib.):** Thank you, Madam Chair.

Madam Chair, I'm sure all witnesses are aware of a bill currently passing through the Parliament of Canada, Bill C-282, that bars the minister of trade from concluding any free trade agreement that results in opening access to the supply-managed sector. Basically, it makes supply management non-negotiable.

I'll start with you, Mr. Verheul, because of your background in the negotiations of many trade agreements that Canada has signed with many other countries.

Right now, it has passed second reading in the Senate. I was hoping it would die in the Senate, but apparently it's still alive in there, so it may even get passed and it may even get royal assent. If that bill becomes a reality, what impact do you think it will have during the review of CUSMA?

**Mr. Steve Verheul:** I mentioned a little earlier that in the review of CUSMA, it won't really that much impact, in my view, because Bill C-282, as you mentioned, talks about opening access. Every in-

dication I've heard from the U.S. is that they're content with the access that was negotiated in the CUSMA. It's just about where that access goes and how the allocation of import quotas is done. Currently, it mostly goes to processors.

I've not heard that the U.S. is going after further tariff reductions or further tariff quota expansion, so I'm not sure it's going to be an issue.

**Mr. Chandra Arya:** When you mentioned dairy before, it was not about having a bigger quota or changing the quota.

**Mr. Steve Verheul:** That's right.

**Mr. Chandra Arya:** Okay, thanks.

What is your guess as to how easy it will be when the review process starts?

**Mr. Steve Verheul:** I think there's going to be a lot of back-and-forth leading up to that. Even though the review is going to be July 1, 2026, I think the process will start probably a year or so ahead of that. There will be lots of positioning—

**The Chair:** Mr. Verheul, I have to interrupt for a moment. Can you just give us a second?

The bells are ringing, or were ringing. Are they still—

**Mr. Tony Baldinelli (Niagara Falls, CPC):** It may have been a quorum call.

**The Chair:** Just give us a second here.

They're no longer ringing.

I'm sorry. We'll go back to Mr. Verheul.

**Mr. Steve Verheul:** I think there is lots of positioning going on. It will really depend on how the U.S. is going to approach it.

If the U.S. is going to try to rebalance concessions in its favour, taking away from Mexico and Canada, it will be a very contentious review, obviously. However, if we can move to a process whereby we try to benefit the North American market overall and coordinate more closely among the three parties, then I think there's a real opportunity there.

**Mr. Chandra Arya:** Both Republicans and Democrats, as you mentioned, are protectionists. I was born and grew up in a third world country, which is now what we call the global south. These were the kind of words we used to hear from our political leaders. It was that we have to safeguard our industries and save our economy from these imports and put up high tariffs, leading to an inefficient system and inefficient economic sectors.

I'm sure the Trump or Biden administrations will both try to extract more concessions. That, obviously, will lead to very tough negotiations. I don't want to envisage it, but is there any possibility that this review will end CUSMA?

• (1645)

**Mr. Steve Verheul:** In my view, it's very unlikely, because it is worth a lot to the U.S. as well as to Mexico and to Canada. I think that would be enough of a big economic shock in the region that we would hope they wouldn't go that far. I would not be surprised if the U.S. tried to make the deal even better for them than it is now, but I think they will see the need for them to continue with the agreement as well.

**Mr. Chandra Arya:** Hopefully, it will not come to the annual review, but if it comes, things will be very, very difficult.

When do you think the uncertainty of the review will start actually affecting investments in business?

**Mr. Steve Verheul:** I have certainly been hearing already that the existence of the review clause does create the feeling that it's not as solid as it could be, because you could turn the direction and go towards an eventual termination of the agreement, so it's already having some impact. I think as we get closer, the rhetoric we're hearing, particularly out of the U.S. about their objectives in the review clause, could certainly start to undermine confidence very quickly. Right now we're in more of a state of uncertainty, waiting to see.

**Mr. Chandra Arya:** With your background and presence in our trade negotiating team, do you think we have enough resources and people with expertise to handle this?

**Mr. Steve Verheul:** Oh, I'm sure we do. Lots of people have been involved in these issues for a long period of time, as I was. I'm sure they'll do well.

**Mr. Chandra Arya:** Thank you, Madam Chair.

**The Chair:** Thank you very much.

Mr. Savard-Tremblay, you have six minutes, please.

[*Translation*]

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

I'd like to thank all the witnesses for their presentations.

Mr. Vaillancourt, we agree on one thing: The climate emergency is real. Even though some people deny it, I'd like to think that you do not. At least, that's what I suspect.

People were very happy—except yours truly—when they were told about the chapters on the environment, labour, and so on. It's true that this is progress. I'll take it, of course, it's better than nothing. With regard to the environment, for example, you seemed to say there wasn't much in there. You said that these were fine principles, but that they were not worth much more than the paper they were printed on.

First of all, is that true? Second, what could be improved?

**Mr. Claude Vaillancourt:** First of all, it's absolutely true.

The recent climate conferences, as well as the one on biodiversity held in Montreal, show not only the enormous progress that's been made in this area, but also the scope of the disasters that are piling up and the growing danger associated with climate change. So the free trade agreements really have to adapt to all that, espe-

cially since, in a way, they have also contributed to it. Indeed, these agreements have made it possible to trade on a very large geographical scale, whereas today, we know that we have to favour short-channel distribution networks.

In my opinion, free trade agreements, and this one in particular, must help fight climate change, and for that we need to change our vision of the economy. It's a bit sad, but I think it needs to be said. For example, as the IPCC has told us countless times, hydrocarbons must be left in the ground. In free trade agreements, we have a duty, as I said in my presentation, to name the things that are causing problems, such as hydrocarbons and methane.

I think my last suggestion also bears repeating: The Kunming-Montreal Global Biodiversity Framework and the Paris Agreement must be mentioned in CUSMA. There is mention of other international agreements signed by all three parties. So why not include those objectives in CUSMA? In my opinion, that would make it possible to achieve some rather interesting advances on the environment. Even though there's a new chapter on the environment, it's still one of the very weak points in this free trade agreement.

**Mr. Simon-Pierre Savard-Tremblay:** Would mentioning international conventions of this kind give them some kind of force of law? In other words, if trade were to go against environmental objectives, could that be subject to a legal squabble?

• (1650)

**Mr. Claude Vaillancourt:** Yes, you're right. In fact, environmental issues should even be given priority. That's what our association, the RQMI, thinks. The environment is the most important thing in the world. It's about having a healthy planet in good shape. That's first and foremost. It's not necessarily a trade barrier, in the sense that living in a healthy environment also allows us to trade economically.

However, if we are to give priority to one or the other, for us, there's no doubt that environment protection and the survival of the planet—which are what this is ultimately about—must be the top priority.

This absolute need to protect the environment must be part of free trade agreements, in my opinion. That's crucial for us.

This is not hidden protectionism. It's important to say that it's not. It's a real need being expressed here.

**Mr. Simon-Pierre Savard-Tremblay:** You were quite clear about the fact that, even though the investor-state dispute settlement mechanism was eliminated in CUSMA, which is good news, it is still Canada's official position. In fact, although it didn't create this type of dispute settlement mechanism, NAFTA has helped make it extremely popular in an entire generation of agreements that followed.

If you go to the Global Affairs Canada website, you will see that Canada still supports this mechanism and is generally looking to retain it. We know that the United States was in favour of eliminating it in the last negotiations. We will see about the next ones, but there's no indication that they would like to bring it back. You've made it clear that you're not in favour of this mechanism.

Conversely, shouldn't we include more formal mechanisms, beyond a kind of right to profits at the expense of democratically adopted policies, and offer remedies to those who could be victims of certain companies, agreements or provisions?

Should we formalize a legal remedy for victims?

**Mr. Claude Vaillancourt:** Yes, that would be interesting. I also think that Canada should improve protection for whistle-blowers. Right now, I don't think whistle-blowers in Quebec and Canada are very well protected. These individuals often do fundamental, extremely important work. They reveal deficiencies, things that are harmful to the population as a whole. These individuals are often penalized or end up in extremely difficult situations.

This protection is therefore really one of the first things that should be implemented with much greater force than it is right now. Perhaps people would then be less afraid to take legal action and use freedom of expression to wage necessary battles, be it on the environment or on working conditions.

[English]

**The Chair:** Thank you very much.

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

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you to all the witnesses here today. We have a wonderful crowd.

I'm going to start with Ms. Vipond from the CLC.

You talked about the worker-centred approach, naturally, and the rapid response mechanism. You also mentioned a tripartite formula for bringing together government, unions and business.

Could you talk about that and where it would fit in with this? Has it been tried elsewhere? How can it improve the process?

**Ms. Siobhán Vipond:** Thank you for the question.

Obviously, a worker-centred approach is what we want to see. We can see it in the U.S., where it has been successful in terms of framing the agreement to deliver the best, not just for corporations but also for people and communities. The tripartite approach we want to see happening is within the review, and how we get there, in terms of how we look at it. There are a lot of examples of how a tripartite approach is the best approach. We obviously have it internationally. We work with it at the ILO. We will soon see it, hopefully, when we're looking at a sustainable job future.

These are the interested parties. Getting them at the same table so we can talk about solutions and what that looks like means nobody is going to get left behind.

**Mr. Richard Cannings:** Thank you for that.

How has the labour chapter been working so far? Has that rapid response mechanism been working? We heard a bit from Unifor in

our last meeting that there were some issues in Mexico and the United States, where perhaps we should be....

• (1655)

**Ms. Siobhán Vipond:** We need to strengthen the rapid response mechanism. It's important that it be enforced across all countries. The reality is that the intention of an agreement like this is to provide equal access to markets, but we must recognize that it cannot result in unequal access to workers' rights. The rapid response needs to continue to be quick in what it's going to look at, because any of these rules without enforcement are not going to be strong enough.

We would encourage that it stays there and stays strong to ensure that it is meeting the needs so that people can access labour rights under this agreement in all countries, including those where we are also looking at the forced labour items coming in, potentially, and that it actually provides a meaningful response.

**Mr. Richard Cannings:** Chair, how long do I have?

**The Chair:** You have three minutes.

**Mr. Richard Cannings:** I'll turn to Mr. Verheul.

You talked about trying to bring advantages to the North American market as a whole. I'm just wondering about how you might also consider, say, the EU, what they're doing and where they're going with trade agreements. Is there any move to try to align new trade agreements with other major sectors like that?

I was meeting with steel workers this morning, and they brought up the issue of the CBAM, the Carbon Border Adjustment Mechanism. We hear a lot about carbon leakage and things like that, because Canada has a price on carbon and the United States does not.

Is there any possibility that something like a North American CBAM would fly in a renewed CUSMA, which would help in many ways?

**Mr. Steve Verheul:** With respect to the CBAM, there's been a challenge so far in that the U.S. has shown no interest in going down that track. As a result, we don't have too much potential to go down that track if the U.S. is not headed there.

I think the biggest problem we have on the climate change side now is that countries are going off in different directions on their own. There's no coherent approach to addressing climate change. The U.S. has an approach. The EU has a different approach. Canada has a slightly different approach.

We need countries to take common policies and have international rules, not just domestic rules, that would allow us to have a more coherent response to climate change.

**Mr. Richard Cannings:** Yes, and that's where I was headed. If the United States sees what's going on in the EU and their exporters are impacted, might there be some appetite in the major trading partners around the world for centring all of these things?

**Mr. Steve Verheul:** I would certainly hope so.

The U.S. and the EU have been talking for years under the global arrangement on sustainable steel and aluminum, trying to come up with an approach that would allow them to follow the same path. The U.S. had a proposal, and the EU had its proposal for CBAM, primarily, but they have been unable to close the gap between them. They are not headed in the same direction, so that process has essentially failed.

I think the U.S. and the EU will try again to come back to some kind of common ground, and Canada would certainly want to be part of that too, but at the moment, it seems like it's pretty much stalled.

**Mr. Richard Cannings:** Okay.

**The Chair:** Thank you very much.

We're moving on now to Mr. Martel for five minutes, please.

[*Translation*]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** Thank you, Madam Chair.

My thanks to the witnesses for joining us.

Mr. Verheul, should we expect the newly elected president in Mexico to be more co-operative or, on the contrary, less co-operative?

[*English*]

**Mr. Steve Verheul:** I think it's a little bit early to say for sure, given that Claudia Sheinbaum has only been in place for a couple of days and doesn't come into power until October, but I think there are some helpful signs.

Our fear was that she might follow the path of former president López Obrador, which created a fair amount of tension between the U.S. and Mexico particularly, but also with us to some extent.

In particular, we are hearing that the new Mexican president would be more sympathetic to environmental considerations and trying to move in that direction, so there may be more common ground that could be explored.

• (1700)

[*Translation*]

**Mr. Richard Martel:** My concern is that we're more likely to see Mexico and the United States negotiating between themselves without Canada. That's what they've done to increase protections on steel. They didn't do the same for aluminum. I'd like your opinion on that.

With respect to the softwood lumber dispute between Canada and the United States, we've generally noted the government's lack

of efficiency in terms of moving the file forward. There's still no agreement. There are also timelines for the formation of dispute settlement panels in CUSMA. The minister has yet to appoint a Canadian ombud for industry.

I'd like you to address these issues and tell us about the repercussions these trade irritants can have.

[*English*]

**Mr. Steve Verheul:** Well, certainly with respect to Mexico I think we will see significant tensions that will still exist even under the new president.

There are tensions over energy and the interventionist approach that Mexico has taken to energy. There are also concerns about China—both imports and investment from China—operating as a back door through Mexico into the U.S. The U.S. is highly concerned about that, and there are security issues that are also a concern. I think it is more likely that Mexico will have more challenges in this process than either Canada or the U.S. will have.

Softwood lumber is always a challenging issue, because it was always outside of the trade agreement with respect to trying to negotiate some kind of bilateral settlement. As you probably know, there has been work going on to try to see if that might be possible, but the appetite on the U.S. lumber industry side has not been all that high, and unless they can get interested in actually negotiating a deal, it's hard to negotiate by yourself.

[*Translation*]

**Mr. Richard Martel:** You may anticipate that there will be difficulties in future discussions. Earlier, you talked about a more coordinated approach among the three countries. I found this solution quite interesting, in a way, to counter China's manoeuvres.

I'd like you to explain that further. What do you mean by a more coordinated approach?

[*English*]

**Mr. Steve Verheul:** When the U.S. took the action it took three weeks ago to impose significant new tariffs against imports from China in key areas like electric vehicles, batteries and critical minerals, that really made life difficult for Canada and Mexico. If the U.S. has those actions in place, neither Canada nor Mexico particularly wants to become a back door for China to get through, because the U.S. will then look at restrictions against Canada or against Mexico.

There's a lot of pressure, on Canada in particular, to try to replicate those kinds of restrictions against imports from China. However, I think all of this could be done so much more effectively if the U.S., Canada and Mexico sat down and said, "What are we going to try to do to protect the North American market from imports and investments from China that are not on a fair trading basis and need to be restricted?"

**The Chair:** Thank you very much, Mr. Martel. Your time is up.

We will go to Mr. Sidhu for five minutes.

**Mr. Maninder Sidhu (Brampton East, Lib.):** Thank you, Madam Chair.

Thanks to our witnesses for taking the time to join us here today.

For my first question, I'm going to start with Mr. Laskowski.

You mentioned the repositioning of foreign empty containers. Can you expand on that a little? The understanding I got from you is that in the U.S. you're allowed to move full and empty containers if you're a carrier, but in Canada, if there's a U.S. plate on the trailer, you can't.

• (1705)

**Mr. Stephen Laskowski:** It's a critical issue. We've been talking a lot about the Americans' approach to this. It's a critical issue for American business. It's more so for them than it is for the trucking industry.

The issue is this. I drive down into the United States, and within any state—pick a city—I drop a load. I drop my trailer off. In the supply chain now, because of the growth of the economy, there simply isn't enough warehousing, so what a lot of shippers and receivers do is use the trucking industry's trailers to store goods in their area. The most efficient way to do this is for a Canadian trucking company to go down into the United States, drop its trailer and pick up a full trailer—your own trailer. It has to be your own trailer, another Canadian trailer that you own that's being stored there. What is allowed, indeed, is that the Canadian trucking company can move an empty trailer, but it must be the empty trailer that is being unloaded that day. You cannot move the empty trailer that you left there last week. It's a difficult thing to say, “Yes, you can move an empty trailer. It just has to be the one you came down with.” However, the supply chain doesn't function that way. The same applies to an American carrier coming up to, say, Toronto or Windsor, wherever the case may be. They can move.

Our governments and industries on both sides of the border say, “Okay, this arcane rule has to change.” It is not good for CUSMA. It is not good for trade.

You know, for 30-plus states their biggest exporter is Canada, and the goods are moved by truck, primarily, and so this movement is to help them. That is the issue. The issue is that we aren't asking for something that they're not allowing us to do; we're just asking them, “Let us move an empty trailer that we own, other than the one that we went down with.”

**Mr. Maninder Sidhu:** Understood.

As you know, our government launched the team Canada strategy for engagement with the U.S., led by Minister Ng, Minister Champagne and of course Ambassador Hillman. In terms of this discussion and this advocacy for this very issue, are you already in touch with U.S. counterparts? Can you maybe speak to that?

**Mr. Stephen Laskowski:** Fortunately, for over a decade, the Government of Canada has been a great champion of this issue. In fact, as I mentioned earlier, they have signalled to the United States that we are ready when they are. There's ongoing work right now

by Minister Anand under the regulatory co-operation council on this very issue, but if that process is not successful, we're asking if this issue can get attention at the table in 2025 by both governments and under the 2026 review.

**Mr. Maninder Sidhu:** Got it.

In the minute I have left, I will turn to Mr. Verheul.

Given your extensive public sector experience, I'd like hear more about what you think the best impacts of our advocacy may be as part of our team Canada U.S. engagement strategy before the election and after the election in November. What do you think is the best approach?

**Mr. Steve Verheul:** I think the whole advocacy effort is really geared towards getting as many key players in the U.S. as possible to understand the importance of not causing disruption in the Canada-U.S. relationship when it comes to trade, talking about the benefits that exist and talking about what else we could do. I think the advocacy effort is really what needs to happen in the lead-up to the review.

We should also make sure that we're preparing for the worst and make sure that we're consulting with industry, consulting with the labour sector and consulting with civil society to make sure we have all of our plans laid out and all of our fallbacks in place so that we've kind of gamed this out the whole way through. All that preparation is lengthy and detailed, but that's exactly what it takes to do well in this kind of a review.

**The Chair:** Thank you very much.

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

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** Mr. Vaillancourt, given the time you had, you mentioned quite quickly that the investor-state dispute settlement mechanism is still in effect with respect to Mexico.

The Canadian Centre for Policy Alternatives sent the committee a document containing 25 recommendations. To permanently eliminate it, one of the recommendations was to remove lawsuits from the investor-state dispute settlement process for Canadian investors in Mexico, but also for Mexican investors in Canada.

Do you agree with that recommendation?

• (1710)

**Mr. Claude Vaillancourt:** Yes, I completely agree with that.

**Mr. Simon-Pierre Savard-Tremblay:** Is it going to be a game changer? We know that this type of lawsuit was mainly aimed at the United States.

**Mr. Claude Vaillancourt:** Canada has been the subject of a record number of lawsuits under NAFTA. It's a little strange that the pressure to eliminate this mechanism comes from the United States, when we should have seen the very negative effects on our policies ourselves.

I think the step being taken in this agreement is important. However, it would have to be renewed. Since CUSMA was concluded, the last two years have shown that there have been no adverse or secondary effects in relation to that. There have been positive effects, although Canada is stuck with a former lawsuit under the old system.

It shows that, at the end of the day, we can live without this mechanism, not only with the United States, but also with all the other countries with which we have this type of agreement.

**Mr. Simon-Pierre Savard-Tremblay:** Chapter 28 of CUSMA on good regulatory practices, which you mentioned, looks very good in principle.

That said, I get the impression that you were telling us that it's an upstream dispute settlement mechanism, an investor-state dispute settlement mechanism that leaves out the fact there are consequences if you act, but that really means, "don't even think about it".

Is that sort of it?

**Mr. Claude Vaillancourt:** Yes, I think that's a very good comparison.

It's true that investor-state dispute settlement happens upstream, in that it's done once the legislation is passed. However, there can also be pressure beforehand to keep the legislation from being passed. We know very well that this approach, creating a deterrent effect, is very common. It's been denounced on a number of occasions.

Chapter 28 of CUSMA nevertheless allows us to work upstream, that is to say before the act comes into force, to create a fairly significant number of obstacles and ensure that the act can ultimately be transformed or simply abandoned.

We're very concerned about this chapter. It's as if we made a gain by eliminating the dispute settlement mechanism, but it also feels like we lost something. Stakeholders, who are not from the government, can always intervene in a significant way with respect to legislation passed by governments. That's something we're very concerned about.

[English]

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

We'll go on to Mr. Cannings for two and a half minutes, please.

**Mr. Richard Cannings:** Thank you.

I'd like to turn to Mr. Verheul again and pick up a bit on what was just being talked about, which was these dispute mechanisms.

The investor-state dispute mechanism between Canada and the U.S. is not in CUSMA as it now stands, but I think it's a very good thing that we still have a state-to-state dispute mechanism. It's very important, especially when it comes to softwood lumber and other disputes.

I'm just wondering if you could comment in general about where you see those chapters going in a renewed CUSMA. Would there be any pressure, especially from the United States, to reintroduce ISDS or to get rid of the state-to-state dispute mechanisms?

I'm wondering if you could comment on that.

**Mr. Steve Verheul:** On the investor-state dispute settlement, we don't expect that the U.S. would have any interest in bringing that back, at least between Canada and the U.S. I think both administrations—the Trump administration prior and the current Biden administration—have no interest in going back down that track. Canada doesn't either, with respect to ISDS.

Of the two other main dispute settlement mechanisms, one is the state-to-state dispute settlement. We did a number of improvements so that it would operate more effectively. It is operating more effectively and reaches conclusions. We're now concerned about what the U.S. may do if it gets conclusions it doesn't like, but that process is working well.

Then the third process is dispute settlement with trade remedies—either countervailing duties or subsidies. This is where the softwood lumber issues come into play, because that dispute settlement process for those issues is not functioning well. That's hindering Canada from being able to move forward effectively on the softwood lumber issues.

• (1715)

**Mr. Richard Cannings:** Is that third mechanism linked at all with the WTO's problems with the Americans refusing to fill positions?

**Mr. Steve Verheul:** It's not that issue, but there are similar issues.

On a number of occasions, the U.S. has put forward panellists who were clearly inappropriate and conflicted to be on that kind of panel. They just kept submitting conflicted panellists, and Canada had to reject those panellists. It's had the effect of slowing the process down and not allowing the dispute settlement panellists to come to conclusions quickly.

**The Chair:** Thank you very much.

Next is Mr. Baldinelli for five minutes, please.

**Mr. Tony Baldinelli:** Thank you, Madam Chair.

I'd like to thank the witnesses for being with us this afternoon.

I'm going to begin with Mr. Meltzer and Mr. Verheul, if I could.

Both of you talked about the U.S. most likely using the review to push current disputes and try to obtain favourable outcomes instead of pushing for areas to improve the agreement, which is the notion of a coordinated approach that you both mentioned.

Mr. Meltzer, you interviewed the U.S. trade representative, Katherine Tai, at a Brookings event about CUSMA in March. The U.S. trade rep had some rather frank comments in her response in the interview. She mentioned, “I think that the disputes and the dispute outcomes need to be part of this, to the extent that we're not able to resolve the disputes using the dispute settlement system itself only.”

This and other comments from the U.S. trade representative suggest that for the U.S., dispute settlement is never really the final say.

Mr. Verheul, to your point earlier, what do we do when, essentially, the U.S. gets a response that it simply doesn't like?

**Mr. Steve Verheul:** That does undermine the whole process entirely. As I said in my opening comments, it undermines confidence in the dispute settlement process overall and even in the agreement, I would argue.

The difficulty is that if the U.S. isn't going to abide by dispute settlement decisions, there's not much incentive for Canada or Mexico to do that either, and then you start to move towards an environment where you no longer have trade rules in the agreement, and then you don't have much of an agreement.

**Mr. Tony Baldinelli:** Mr. Meltzer, would you comment?

**Mr. Joshua Meltzer:** I think one of the potential goals for the joint review, in order to focus on a coordinated, forward-looking agenda, is not necessarily saying to the U.S. that these bilateral irritants shouldn't be resolved politically; it is to try to push them into channels other than the joint review so that they don't crowd out the joint review and risk overwhelming the joint review, leading to potential risk that there is no successful agreement in 2026.

I think you're absolutely right that there are going to be domestic stakeholders that are going to push either administration to raise rules of origin or market access around Canadian dairy issues. The question is whether we can try to make some progress on those issues outside of the joint review.

**Mr. Tony Baldinelli:** Thank you.

Ms. Vipond, Mr. Meltzer and Mr. Verheul, you all spoke of the need for a coordinated approach to trade issues with regard to Canada and the United States.

Mr. Verheul, you talked about a North American approach. Ms. Vipond, you talked about Canada needing a strategic approach aligned with the U.S. worker-centred approach. Mr. Meltzer, you talked about the U.S. looking to de-risk trade with China, and that to do so, closer co-operation with Canada and Mexico is needed.

Last week we had Brian Kingston of the Canadian Vehicle Manufacturers' Association here. He mentioned that the sector is looking for certainty and mentioned the recent U.S. decision to impose 100% tariffs on Chinese EVs as well as tariffs on batteries. I'd like to get your comments on that.

Mr. Verheul, you said that it would probably be better to get a coordinated approach in a trade agreement rather than trying to do these on a one-off basis, so how does Canada respond to that?

• (1720)

**Mr. Steve Verheul:** The fact is that the U.S. just announced that on their own, through their section 301 process, and I don't know for sure, but I don't expect that there were many consultations with Mexico or with Canada beforehand. It leaves Canada and Mexico in a difficult position.

Do Canada and Mexico have to follow the U.S. approach and have the same kinds of tariffs in order to protect the North American market? If they go with a different approach, they're vulnerable to being charged by the U.S. with allowing Chinese imports to come in through the back door.

There will be pressure on us to do something, but that does not make it easy. It would be so much easier if we coordinated those efforts.

**Mr. Tony Baldinelli:** The difficulty that we find here right now is that the government has taken an industrial approach to create a supply chain system—\$40 billion of investments—but, through its regulatory system, it's almost encouraging, because of the 2035 EV mandate, the continued importation of Chinese electric vehicles. To your point, the Americans are going to say, “Well, Canada, you're becoming a back door.” All the Teslas that are coming into Canada right now are coming from China, not from the state of California any longer.

How do we encourage a supply chain in critical minerals when, with this 2035 mandate, we won't have mines in the ground by then, so we're still going to be using Chinese minerals as well for our own supply chain?

**The Chair:** Can we have a brief answer, please?

**Mr. Steve Verheul:** It's a complicated question, so brevity is a challenge.

I would just say that the way that the U.S. has proceeded with some of its policies, particularly the Inflation Reduction Act, means that it's very hard for Canada to get investment in critical minerals, for example, in Canada because the U.S. is attracting all of that. It's another illustration of how we should be trying to protect the North American market on a tripartite approach, not on a U.S. go-it-alone approach.

**The Chair:** Thank you.

Ms. Fortier, you have five minutes, please.

[*Translation*]

**Hon. Mona Fortier (Ottawa—Vanier, Lib.):** Thank you, Madam Chair.

My questions are for the Canadian Trucking Alliance and the Canadian Labour Congress. Each witness will have two minutes to answer.

What is your organization's relationship with your counterparts in the United States and Mexico? In terms of policies and regulations, what areas do you have in common and what areas do you disagree on, in the current context?

I'd like Mr. Laskowski to answer my questions first, and then Ms. Vipond can answer them.

[*English*]

**Mr. Stephen Laskowski:** I'll be brief.

We are very aligned with the American Trucking Associations and we work constantly with them on cross-border issues, including the issues I brought up today, which are processing issues at the border. One of the benefits we have as an industry with regard to going into this process is that we are aligned.

**Hon. Mona Fortier:** In that context, what would you propose that we should be reviewing or adding, if you have more to say than what you said in your opening remarks?

**Mr. Stephen Laskowski:** On that note, maybe I'll turn it over to Lak. He's been up on the screen because he works with the American Trucking Associations.

Perhaps, Lak, you could discuss some of the processing questions at the border that we're working on with the American Trucking Associations.

**Mr. Lak Shoon (Director, Policy and Industry Awareness, Canadian Trucking Alliance):** Thank you, Steve.

As Steve mentioned earlier, we're going to be looking at, potentially, the feasibility of the impacts of nuclear verdicts that have been occurring in the U.S. and whether or not we can align with that issue both in the Canadian context and the U.S. trucking context.

International cargo fraud has been on the increase in Canada, the U.S. and Mexico. Criminal networks appear to be getting increasingly global and highly sophisticated. It's reaching a level that presents an emerging trade barrier and is impacting the free flow of goods between the CUSMA member states. That's another issue we're going to continue to look at.

Steve also, in his opening remarks, mentioned the burgeoning trade relationship with Mexico. There are going to be more Mexican trucking companies doing business within Canada and vice versa. We have many members looking into the Mexican market as well.

[*Translation*]

**Hon. Mona Fortier:** Thank you.

I will now turn to Ms. Vipond.

[*English*]

I have the same question for you.

• (1725)

[*Translation*]

**Ms. Siobhán Vipond:** Thank you for the question.

[*English*]

Our counterparts are the AFL-CIO, and we have a close relationship. Some of it is more formal, say, through the ITUC and through projects that we work on together, and some is informal and just through relationships.

Our goals are very similar in terms of raising the bar for workers when it comes to this type of work by ensuring that we have minimum standards, that we're respecting the rights of workers and that we're calling out forced labour and lower standards.

We also share affiliates. Some of our international unions that are affiliated with the CLC are also affiliated with the AFL-CIO.

For brevity, what I'll highlight in terms of where the differences are is that the U.S. government has a close relationship with the AFL-CIO, and they're working quite closely together on the approach to what this means in terms of CUSMA. One of our requests is that we have a better relationship so that we are at the table in a more formal way here in order to ensure that the discussion around workers' rights, what workers need and what's good for communities includes unions.

**Hon. Mona Fortier:** What about policies or regulatory opportunities on which you would agree or disagree with your counterparts in this context of reviewing CUSMA?

**Ms. Siobhán Vipond:** Do you mean policies that we...? We agree that this is about good jobs, that we need to be raising the floor and that people need to have family-sustaining unionized jobs. That means the mechanisms in the CUSMA agreement have to address this issue so that it's not a race to the bottom.

We feel very strongly about that, especially for international companies or when we're talking about EVs and what that looks like on a global scale, as well as on different projects that are coming to North America. We work really closely. FIPA is a good example, because we want to ensure good jobs and that we are on the same plate as that.

Yes, there are diverging interests, maybe, because we want to make sure we're here for Canadian workers. They're obviously protecting American workers. That doesn't need to be head-to-head. That can be done well, if we are having the discussions and ensuring that people are protected.



[*Translation*]

**Hon. Mona Fortier:** Thank you.

Who knows? We may have to have you all come back for another session. It seems like there are lots of questions. Thank you very much.

[*English*]

**The Chair:** Thank you very much. Thank you to our witnesses.

The meeting is adjourned.

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