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Chair: Mr. Raj Saini



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• (1835)

[English]

The Chair (Mr. Raj Saini (Kitchener Centre, Lib.)): Welcome, members, to the 10th meeting of the Special Committee on the Economic Relationship between Canada and the United States. Pursuant to the motion adopted by the House on February 16, the special committee is meeting to discuss the economic relationship between Canada and the United States. Today, we are continuing our examination of buy American procurement policies.

I would now like to welcome our witnesses.

[Translation]

We now welcome Geneviève Dufour, a full professor at Université de Sherbrooke.

[English]

From Loyola Marymount University, we have Justin Hughes, distinguished professor of law. Finally, from the Trade Justice Network, we have Ms. Angella MacEwen, co-chair.

[Translation]

Professor Dufour, you have the floor for five minutes.

Ms. Geneviève Dufour (Full Professor, Université de Sherbrooke, As an Individual): Mr. Chair, members of the committee, thank you for the opportunity to appear before you to discuss the United States' Buy America jobs plan and the U.S. president's recent executive order.

You have heard from several government officials, including some ministers, that they would not let the Biden administration further restrict our companies' access to the U.S. market and would seek a blanket waiver. One speaker also talked about coming to a sectoral agreement with the United States. Obviously, I can't cover everything in this presentation, but I want you to know that, under international economic law, we have very little room to manoeuvre in response to the measures in the Buy America plan. I will unfortunately be going against the grain of what you have been told.

In my analysis, the United States cannot legally negotiate an agreement with Canada at this time. Nor would it be possible to reach a sectoral agreement. I will explain why.

The United States and Canada are among 48 states in the world that are parties to the World Trade Organization's Agreement on Government Procurement, or WTO GPA. This means that Canada and the United States have agreed to subject their government procurement to international competition.

However, when it comes to government procurement, each state has the ability to restrict its commitment. In other words, each state determines the entities subject to open procurement, the products or services covered, and the amounts above which the agreement applies. In its schedules of commitments, the United States has inserted significant limitations to allow it to continue to favour its suppliers in government procurement. Because of these limitations, therefore, the United States can have measures such as those in the Buy America plan.

Now, can the United States grant a waiver in favour of Canadian suppliers? Unfortunately, the answer is no.

In fact, the WTO GPA provides for compliance by states that are party to the most-favoured nation, or MFN, clause. In law, this clause is simple to apply. If a state gives an advantage to another state, it must extend that advantage to all states that are party to the agreement. In other words, if the United States gives Canadian companies preferential access to government procurement that is subject to the Buy America plan, it must extend that preference to the other 46 states that are party to the WTO GPA.

You may say that the United States had nevertheless agreed in 2010 to a general waiver in favour of Canada following the Obama administration's massive investment plan. But the context has changed.

In fact, there is one exception to the MFN clause I just mentioned: free trade agreements. That is, if states enter into a free trade agreement, they can give each other mutual preferences—that's even the objective—and they can do so without having to extend those preferences to other states. But beware, because, for this exception to come into play, there has to be a proper free trade agreement, which excludes sectoral agreements. I can come back to that during the question period, if you want.

In 2010, Canada persuaded the Obama administration to allow Canadian suppliers to participate in U.S.-only tenders. At that time, we had a free trade agreement, NAFTA, the North American Free Trade Agreement, that covered government procurement. In other words, NAFTA allowed us to have a preferential agreement with the United States on government procurement.

Today, the Canada-United States-Mexico Agreement, or CUSMA, has replaced NAFTA, and this new agreement now applies. It contains no rules on government procurement pertaining to relations between Canada and the United States. So we can no longer avail ourselves of that exception.

In this context, we have a few scenarios available to us. I will not be able to present them all to you, but here are some of them.

First, we unfortunately accept this as a fact of life; we don't have a waiver and our suppliers of goods and services cannot bid on most large infrastructure projects in the United States. In fact, they will be able to bid on some projects within the scope of the GPA, but that's extremely technical. For contracts not covered by the GPA, Canadian and U.S. companies will be able to apply for ad hoc waivers, but it's a very complex mechanism, that, most importantly, provides no predictability for our Canadian companies.

Second, we don't accept that solution and we reopen CUSMA negotiations. Let's be clear: after years of painful negotiations, and given the fact that the U.S. government is quite protectionist at the moment, I don't think that's a good idea.

Third, another solution would be to negotiate a blanket waiver with the United States. However, as I have already said, it would be risky for the Americans because it would go against free trade rules, against their commitments. So that remains to be seen.

Fourth—and I feel we should opt for this scenario when we know more about the specific measures taken by the Biden administration—Canada absolutely must begin a comprehensive analysis of how compliant the measures under the Buy America plan are with the GPA and with U.S. commitments.

This is because it is a good bet that some measures are questionable from a legal perspective. That could provide an opportunity to engage in a fact-based dialogue with a view to limiting the measures arising from the Buy America plan. If no agreement is reached, a dispute settlement procedure could be initiated at the WTO. Obviously, it would not satisfy our desire to move swiftly, but it could put pressure on the United States, especially if other major trading partners like China or the European Union were to join Canada.

This situation is yet another indication of our vulnerability when it comes to trade, and that vulnerability is a direct result of our dependence on the U.S. market. The answer seems simple enough: Canada needs to diversify its export markets. However, that's been slow to happen. We do have free trade agreements with many other countries and with major trading blocs, but, at the level of our businesses, diversification has been slow to materialize. That can likely be attributed to a number of factors. I don't have time to go into them in detail, especially since it goes beyond the scope of the trade relationship with the United States. But I would be happy to address them if you have any questions along those lines.

Thank you for your attention, and I remain available to you.

• (1840)

The Chair: Thank you, Ms. Dufour.

[English]

Mr. Justin Hughes (Distinguished Professor of Law, Loyola Marymount University, As an Individual): Thank you very much, ladies and gentlemen.

Thank you for inviting me to participate in today's session focused on President Biden's buy American executive order.

[Translation]

I was surprised to receive the invitation.

[English]

I think everyone knows that since the inauguration of the Biden administration, the administration has been focused intently on the COVID-19 pandemic and domestic economic issues. It has concomitantly been moving more cautiously on trade issues. In a sense, President Biden's January buy American executive order falls between the two.

I'm happy to talk about the executive order this evening, but I have to emphasize that I'm not part of the administration. I last served in the Obama-Biden administration in September, 2013. I'm speaking to you as a law professor who teaches international trade and pays a reasonable amount of attention to policy developments in Washington.

As you know, the executive order does not change any of the statutory laws that are commonly called “buy American”, or “buy America provisions”. The executive order calls for a general tightening of department and agency implementation of the statutory provisions.

It does this by doing the following. It establishes a centralized process for granting waivers to buy American requirements, such that “a description of its proposed waiver and a detailed justification” of the waiver must be submitted to the White House's Office of Management and Budget. It makes descriptions of these proposed waivers and justifications available on a publicly accessible website. That is clearly intended to be a resource for American manufacturers who might want to bid on contracts that have not yet received a waiver. It allows the Office of Management and Budget to review each waiver, or to decline to review the waiver. The OMB may reject a waiver, in which case it goes back to the agency for further consideration and further analysis of the determination.

All of that is supposed to happen through a new made in America director in the Office of Management and Budget.

The president's executive order also requires the Federal Acquisition Regulatory Council to study and consider changing the very elaborate and detailed federal acquisition regulations in various ways that could increase the amount of federal purchases that have U.S. value added in it. Then—and this should be important to Canada—the executive order also calls for a longer term assessment, agency by agency, of “waivers issued pursuant to the Trade Agreements Act of 1979, as amended, 19 U.S.C. 2511, separated by country of origin”.

We are still in the earliest days of the implementation of the executive order. No made in America director has yet been appointed by the White House. My understanding is that so far the Office of Management and Budget has been gathering information from agencies and departments on waivers that had been granted in the recent past, analyzing those waivers and determining to what extent things can be tightened up.

My purely personal impression is that they have not yet identified as much abuse or looseness in the waiver system as some expected. I also think that—

• (1845)

The Chair: Mr. Hughes, I'm sorry. I am getting the French interpretation on the English channel.

That's okay now. Go ahead.

Mr. Justin Hughes: I was also getting the French, but I was listening to myself in two languages.

I also think the administration is looking at those waivers, not in terms of the total number of American jobs, which might have been how the prior administration looked at that, but, in my understanding, especially in terms of critical supply chains and strategic production.

As everyone knows, and as Professor Dufour discussed, the U.S. commitment to the WTO government procurement agreement, which benefits Canada at this time, effectively means that buy American rules function as buy from America and friends' rules. Separate from the executive order, I have to be honest with you that in the public statements accompanying the executive order, there is language that was exactly the same as we saw in an August 2020 policy paper from candidate Joe Biden that the new administration would “work with allies to modernize international trade rules and associated domestic regulations regarding government procurement to make sure that the U.S. and allies can use their own taxpayer dollars to spur investment in their own countries.”

As I said in the op-ed piece I wrote a few months ago, anytime a government says they want to modernize international treaty obligations, that's a nice way of saying they want to revise them, which is a nice way of saying they'd like to break them. I think that means that long-term U.S. participation in the WTO's Agreement on Government Procurement is not a foregone conclusion. If you follow Professor Dufour's logic—I agree 98% with everything she said—that is not necessarily a bad scenario for Canada. It could mean revision of the GPA in a way that permitted more regional collaboration, more localization of production, and more acceptance of the desirability of local special rules for procurement.

I know that members of this committee are very concerned about Canadian access to the U.S. market. I look forward to a discussion of these issues, with everyone hopefully keeping in mind that I can only give a close observer's perspective, not any official perspective on what is happening inside the Beltway.

Thank you, Mr. Chairman.

The Chair: Thank you, Professor Hughes.

Now we'll go to Ms. MacEwan for five minutes.

Ms. Angella MacEwan (Co-Chair, Trade Justice Network): Thank you for inviting me to appear on behalf of the Trade Justice Network. We are a coalition of environmental, civil society, student, indigenous, cultural, farming, labour and social justice organizations. We came together in 2010 to call for a new global trade regime focused on social justice, human rights and environmental sustainability.

The Canadian and U.S. economies are very tightly interconnected, with many goods, services and even workers crossing the border every day. The planned stimulus from the United States is good news for Canada's economy, and especially Ontario's, because a stronger U.S. economy generally has positive spillover effects on this side of the border too. I know that we're concerned about buy U.S. and buy American agreements excluding us from some of this money, but I think we need to keep in mind that any stimulus the U.S. federal government is offering within the U.S. will have spillover effects in Canada, and we will likely benefit from it in the long run, even if we don't directly benefit from some of this spending.

Even so, Canadians are rightfully concerned about buy American clauses hurting Canadian businesses and the workers who had hoped to be able to bid on some of these large U.S. contracts. There's also often a lot of confusion in the Canadian public, because we've been told we can't attach buy local requirements to our public procurement, so how is it that the United States gets away with doing this so openly?

As the two previous speakers explained, the answer is quite simple. Canada is one of the very few nations that has given away our right to attach buy local provisions for subnational governments. The United States has never done so and does not intend to bind subnational government procurement to any of the international trade agreements they are a party to at the federal level.

As Professor Dufour said, the trade agreement that applies in this case is the World Trade Organization's Agreement on Government Procurement, or GPA, because there is no chapter covering government procurement in the updated CUSMA. The U.S. federal government must allow Canadian companies to bid on federal infrastructure projects that fall under the GPA. Despite the rhetoric from the government right now, there likely will be projects that Canadian companies can bid on because they fall under this trade agreement. The problem, as I'm sure others have already told the committee, comes when the federal government transfers infrastructure dollars to U.S. state or local governments, which are not covered by this agreement on procurement.

Since Canada has given away our access to subnational procurement under the GPA and also under the CPTPP and the CETA, we essentially have no bargaining chips left to play in offering the United States special access to any Canadian projects in return for special access there. In all of those deals, construction projects over \$9.1 million cannot have buy local provisions, and the bar for goods and services is lower: \$366,000 under the CETA and \$650,000 under the GPA and the CPTPP.

Despite this, I think there is still a way for the federal government to follow Biden's lead, and that would be through setting sustainability criteria on inputs such as cement, steel, iron and aluminum. These criteria in Canada's own infrastructure projects would favour Canada and U.S. producers because our higher domestic environmental standards result in goods that have a much smaller carbon footprint. This would help level the playing field for high-quality Canadian and U.S. producers, while also helping Canada and the U.S. meet their climate targets, something that has been recommended before by Blue Green Canada.

Social criteria, which could also be allowed, could direct money to businesses, workers and populations that are currently underserved by the economy, such as first nations businesses and women-owned businesses and those types of things, allowing these firms to grow in line with Canada's inclusive trade agenda.

• (1850)

The Green Economy Network, which I'm also a part of, has called for \$80 billion in green investments over five years in Canada. These investments would help us build national transit, both within cities and between cities. They would help us retrofit buildings across Canada and grow our renewable energy sector. This investment would directly create 200,000 jobs each year and would allow us to meet our climate targets. That would put us in line with the U.S.

Today, in her first speech as the U.S. trade representative, Ambassador Katherine Tai said that, on the environment, "the multilateral trading system has no rules to address the corporate incentive to participate in the race to the bottom." She continued:

The view that environmental issues are not an inherent part of trade ignores the reality that the existing rules of globalization incentivize downward pressure on environmental protection. This puts countries with higher environmental standards at a competitive disadvantage.

She says that environmental rules are not a social issue. This is actually an economic issue.

If we put Canadian versions of buy American and buy American conditions, such as sustainability and social criteria, on federal transfers to the provinces and territories, that would bring our policy into line with the Biden administration. It would allow us to work together on a North American green jobs and procurement strategy.

The Biden administration has signalled interest in reforming the WTO and the GPA at the WTO to allow nations to get serious about their commitments to the climate, particularly the Paris Agreement. It would be very good for Canada's economy, job creation and environment if we joined the United States as global leaders on this front.

Finally, I want to point out that, as the committee knows, Canada has failed to support a motion at the World Trade Organization that would waive restrictions to ensure that vaccines and other medical supplies for the pandemic are affordable for developing nations. U.S. President Biden is under significant pressure right now to change his position on this issue to ensure that, globally, we can vaccinate as many people as quickly and as affordably as possible.

Canada should work with our U.S. allies at the WTO council to reverse course on this and allow a temporary waiver of IP rights for life-saving technologies and medicines.

Thank you very much.

• (1855)

The Chair: Thank you, Ms. MacEwen.

We will now go directly to questions.

We have Ms. Alleslev, please, for six minutes.

Ms. Leona Alleslev (Aurora—Oak Ridges—Richmond Hill, CPC): Thank you very much.

Thank you to our witnesses. You've given us a lot of information on a very complex issue.

I need to make sure we've understood all of the things you've tried to present to us. If I understand correctly, the landscape since NAFTA, and now CUSMA, has significantly changed. That has, in part, put Canada in a bit of a sticky position.

Professor Dufour, you stated that not having provisions in CUSMA around federal government procurement puts us in a difficult position in getting an exemption to buy America because we can no longer have a preferential, most favoured nation type of approach.

Do I have that right?

[*Translation*]

Ms. Geneviève Dufour: Basically, you've got it right.

I will summarize what I said. No, we can't have a preferential agreement with the States. That's the rule. When we enter into a free trade agreement, however, we can include an exception. In NAFTA, there was a chapter on government procurement that governed our bilateral relations. CUSMA doesn't have one. Canada could not have a preferential relationship with the United States unless we added a chapter to CUSMA on government procurement or reached a side agreement that would be included in CUSMA.

Right now, we can't invoke any preferential relationship with the United States on government procurement that would justify their granting us a waiver. If they grant us a waiver, they must grant it to all other members of the Public Procurement Authority.

Ms. Leona Alleslev: Exactly. I'm sorry I'm not speaking French, but the technical vocabulary is more complex. So it's easier for me to speak in English.

[English]

When we negotiated CUSMA, the federal government would have known that an executive order for buy American was a possibility once we took out those provisions around federal procurement in CUSMA.

[Translation]

Ms. Geneviève Dufour: I wasn't in the room during the negotiations. So I can't know if the government was aware of it. I would hope that it was a consequence they had not considered.

U.S. demands were exorbitant on government procurement and would have truly put Canada at a disadvantage. I suspect that's why we decided to scrap the government procurement chapter. You will recall that these were not easy negotiations.

Perhaps one of the negotiating team members could better answer your question. That said, I would hope that the government did not see it coming.

[English]

Ms. Leona Alleslev: Exactly. Thank you.

Professor Hughes, Canada and others were given a strong indication of the United States' intent in Biden's proclamation in 2020 that they wanted to look at how they were going to do things, modifying the rules and looking at critical supply chains and national security. The United States put us on notice, telling us the direction it might take in terms of having more home procurement.

Is that a fair statement?

Mr. Justin Hughes: I was looking at your April 8 statement where you said that the Americans were looking to protect and repatriate to the U.S. a significant number of jobs in steel and iron and manufacturing. I think your words were very apt. The signal is very clear, but I would say to everyone on the committee that the target of all of this is a more distant trading partner—not Canada.

Ms. Leona Alleslev: Absolutely.

Mr. Justin Hughes: As to something Professor Dufour said, I'm more optimistic that it would be possible to renegotiate and reopen chapter 12.

Professor Dufour, is chapter 12 the government procurement chapter of NAFTA 2?

• (1900)

Ms. Rachel Bendayan (Outremont, Lib.): I believe it's chapter 13.

Mr. Justin Hughes: Chapter 13. Okay.

To take something that Ms. MacEwen said, why not propose to the Americans that we reopen that chapter but with an environmental focus?

Now, it is true, as Professor Dufour would say, that someone looking out might say, "Well, you can't do that. You have to renegotiate the whole thing." This was certainly a criticism thrown at the United States' limited renegotiation of KORUS, its free trade agreement with South Korea, but that's pretty esoteric.

This is the last thing I want to say. It would be great if there were a genuine effort to make environmental standards as meaningful as labour standards in the agreement such that Canada, the United States and Mexico should be proud—maybe not enough, but proud.

The Chair: Ms. Alleslev, you have 15 seconds. Sorry, we're a bit tight for time today. I apologize.

Ms. Leona Alleslev: All right.

I had hoped I might get another opportunity, but thank you very much to the witnesses.

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

We will now go to Mr. Housefather, for six minutes, please.

Mr. Anthony Housefather (Mount Royal, Lib.): Thank you very much, Mr. Chair, and the witnesses.

I have to admit that I am always fascinated by the legal jargon that goes with international trade. As such, I'm going to go to each of you.

Professor Hughes, I read your article in *The Hill*. I wanted to hear from you on this subject. I'm going to ask you a couple of technical legal questions.

Previous witnesses have talked about how this would need to go through Congress. I understand that Congress would need to appropriate funds for the projects under buy American, but what you're essentially saying I think is that through the executive order, the law with respect to procurement—meaning how the United States would deal with local and state procurement—would not actually need to change. Congress would need to appropriate funds, but would not necessarily be changing the rules. It would simply be a different application under the executive order of the existing rules that would apply more stringent safeguards, thereby allowing the central budget office to police what states and local governments are doing.

Is that essentially correct?

Mr. Justin Hughes: Yes. It's not a matter of Congress appropriating additional money. All federal expenditures are subject to these buy American acts, including money that goes out to state expenditures. You are correct: it is just an executive tightening.

Mr. Anthony Housefather: The law would actually not be changing. Whatever law exists today, there are more stringent measures under the executive order. It doesn't require Congress to pass new laws related to procurement. As such, what is essentially happening is a tightening. It's not that we're waiting for legislation from Congress on this issue.

Is that essentially correct?

Mr. Justin Hughes: That is correct. Right now we haven't had any tightening, just a lot of analysis. There may be different levels of tightening.

Mr. Anthony Housefather: I understand.

[*Translation*]

I will now turn to Ms. Dufour.

Thank you for your testimony. I now have a better understanding of why granting a waiver to Canada would violate World Trade Organization rules.

As I understand it, a waiver could be obtained by negotiating a new chapter in the Canada-U.S.-Mexico Agreement. I believe that Canada and the United States have the right to enter into a bilateral agreement. So it would be possible to get a waiver by negotiating a new chapter.

Is that correct?

Ms. Geneviève Dufour: Yes, that's correct. That's one of the things I was saying at the end of my speech. But do we really want to reopen the tough negotiations on CUSMA? That remains to be seen, and it's a political issue.

However, yes, it would be entirely possible to have a companion agreement, a side agreement, or a chapter that would only apply between Canada and the United States, but Mexico would also have to agree to it.

Mr. Anthony Housefather: I do understand that. It's just that we keep using the word "exception". Exceptions were always permitted in the agreement between the two parties, at least. I understand it's more complicated, because I believe the U.S. Congress must approve any amendments to CUSMA. But yes, it was an agreement between the two countries, and it's still possible.

• (1905)

Ms. Geneviève Dufour: Yes, absolutely.

[*English*]

Mr. Anthony Housefather: Ms. MacEwen, you mentioned something very interesting. Technically, under the WTO, you said that Canada "unusually relegated our right to retain domestic preference on local and provincial contracts where federal monies would go." You can withdraw from the agreement. The agreement can be amended by a two-thirds majority, I believe.

Can Canada simply remove our own relinquishment of our rights in that area, or would it need to be an amendment to the agreement itself?

Ms. Angella MacEwen: I actually have no idea. I am not a lawyer, but Canada should engage with the United States on reforming the GPA. The Americans are interested in doing that, and we should be too.

Mr. Anthony Housefather: I agree. That makes complete sense, particularly since our closest ally is now saying and indicating very clearly that's what it wants to do.

Professor Hughes or Professor Dufour, could you answer my question about how Canada could change the way it relinquished that under the WTO?

Mr. Justin Hughes: Professor Dufour is welcome to answer, but my understanding of the WTO rules is that Canada can simply withdraw. It is a plurilateral agreement, not a multilateral agreement.

Mr. Anthony Housefather: No, but not withdraw from the WTO...?

Mr. Justin Hughes: Just from the GPA. It's a plurilateral agreement, meaning that you can leave it.

Ms. Angella MacEwen: But how can we amend what we've given up in terms of procurement in the schedule where we said that subnational governments are subject to it? Can we withdraw and take it back?

Mr. Anthony Housefather: That was actually my question.

Mr. Justin Hughes: Professor Dufour may have an opinion. My view would be that you should be brave and withdraw, and go back in.

Voices: Oh, oh!

[*Translation*]

Mr. Anthony Housefather: Ms. Dufour, do you have a simpler solution?

I believe that would be complicated.

Ms. Geneviève Dufour: It is always possible to renegotiate commitments made in a WTO agreement, whether it's plurilateral or multilateral. However, we must not forget that the member states consider it a privilege to be part of the WTO. Its members are in an exclusive club. When you withdraw privileges from a trading partner, the WTO expects you to negotiate with them and compensate them if the withdrawal or change in commitments costs them money. So it isn't easy.

[*English*]

The Chair: Thank you, Mr. Housefather.

[*Translation*]

Mr. Savard-Tremblay, you have six minutes.

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

Good evening, everyone.

Good evening to my colleagues and the witnesses.

I will now turn to Ms. Dufour. My thanks for your presentation.

During your presentation, you mentioned the possibility of coming back to some things you didn't have time to elaborate on. I'd like to give you a chance to do that during the question period.

You said we cannot have any sectoral agreements and that we absolutely have to go through the free trade agreement. However, as you so rightly pointed out, renegotiating CUSMA could be politically difficult, after the years we have already spent on it.

That makes me wonder, what is a free trade agreement, if not a collection of sectoral agreements, at the end of the day?

Ms. Geneviève Dufour: That's a very good question. I knew you would be the one to ask it, given the last few committee meetings.

It's simple. A free trade agreement can be an exception to the general principles of international trade only if it meets certain conditions of form and substance. We can skip the form, since the substance is more important.

First and foremost, you have to reach a free trade agreement that covers and liberalizes the bulk of trade between states. In practical terms, the WTO has never really defined what "the bulk of trade" means exactly, but it is understood to be about 90% of the trade between different countries. That means you couldn't have a free trade agreement liberalizing aluminum, steel, sugar, or even bananas. We've seen examples of this in the past at the WTO.

We couldn't reach a sectoral agreement on government procurement alone. If we were to reopen negotiations on government procurement with the United States, it would absolutely have to be done within the framework of the agreement we have at the moment, which is CUSMA.

• (1910)

Mr. Simon-Pierre Savard-Tremblay: If sectors need to be added or renegotiated, they must always be part of the same framework.

I'm pleased to see that you're keeping up with our work. It makes us happy and shows us that we're doing it for the right reasons.

You spoke about different scenarios. Could the process of exchanging letters, for example, be an option?

Ms. Geneviève Dufour: Yes. It's perfectly possible to add to or amend an agreement by exchanging letters.

Mr. Simon-Pierre Savard-Tremblay: This could also be a way to address the issue of government contracts.

Ms. Geneviève Dufour: Exactly. These letters are attached to the agreements.

Mr. Simon-Pierre Savard-Tremblay: Okay.

What approach would you suggest? You said earlier that you weren't at the table and that you probably wouldn't be at the table if these types of negotiations were held. However, I want to ask you what approach you would suggest. In your view, should we be trying to get a blanket exemption or an exemption on the greenest products, for example?

We have different products where we know from the start that we can succeed. For example, our aluminum is much cleaner than the aluminum from Asia. In your opinion, could this be an option to consider?

Ms. Geneviève Dufour: We must be very careful when it comes to government contracts and environmental criteria.

I can tell you that this is one of my main concerns. I'm currently leading a battle with the Quebec government to require buyers to include environmental and social criteria in government contracts. Right now, in Canada, in Quebec and in several provinces, government buyers aren't required to include environmental criteria. Nothing encourages them to do so or makes their lives easier. However, in the United States, for the past 20 to 25 years, several states such as Maine, Vermont, California, New York and Massachusetts have been implementing these types of criteria in government contracts.

If we want to, we can play this game. I hope that we do. We must. To that end, the Government of Canada must require its government buyers to include environmental and social criteria in government contracts. We need to prepare the industry. You were talking about aluminum and the fact that ours is green. However, a number of our producers make green products. They can't even prove that their products are green at this point. They have never needed to do so since it isn't required in the bidding process.

Both the federal and provincial governments must do their homework, structure the market and give us the opportunity to be more competitive in foreign markets.

I don't know whether I'm answering your question. However, I think that we must be careful about this, because we aren't doing our homework when it comes to sustainable government procurement.

Mr. Simon-Pierre Savard-Tremblay: That's fine.

I can see Mr. Chair turning on his microphone. I'll continue in an upcoming round of questions.

The Chair: Thank you, Mr. Savard-Tremblay.

[English]

You're very observant.

For the final question in this round, we'll go to Mr. Blaikie for six minutes, please.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

Thanks, everyone, for being here this evening or afternoon, wherever you happen to be across the continent.

I just want to follow up a little more on the theme of how we could use environmental and social criteria as a means not only to achieve important domestic goals, but also to try to access or provide access for Canadian companies to some of the work, not just at the federal level but at the state level in the United States, if we have common cause around.... I think that's one of the opportunities that some of our witnesses have pointed out, that the new administration in the United States is an opportunity to have more common cause around environmental and social goals.

What are some of the ways we might be able to mobilize those common goals in order to secure access to procurement projects in the United States under the spending that we're told is coming?

I know, Ms. MacEwen, you were speaking a little bit to that on the social side. There's a lot of talk in Ottawa and elsewhere about the virtue of community benefit agreements for public procurement. I wonder if that's one of the tools that might be used to define those social goods and how projects would achieve them. I wonder if you could speak a little bit to that.

• (1915)

Ms. Angella MacEwen: Absolutely. Community benefit agreements take a little bit longer to set up, but they generally have a number of benefits, in that the investment is sure to meet the needs of their community, because the community is involved in planning it. You can often target more concretely these underserved groups that we have elements for in the trade agreement.

Part of our inclusive trade agenda is to make sure that we're reaching indigenous-owned businesses or businesses owned by women, but this is a concrete way to make sure that a certain amount of the project is reserved for these types of investments and that there's training and those types of social investments. We call them "social investments", but really they are economic investments.

Mr. Daniel Blaikie: Great. On the environmental question, I wonder if our other witnesses might like to speak to how Canada might both structure some of its own public infrastructure projects to support certain environmental outcomes, and also how we might use our willingness to do that in negotiations with the United States government in trying to ensure that Canadian firms might be able to access American public projects along these environmental lines and kind of create a reciprocal relationship there without violating any of the current strictures around preferential procurement.

Mr. Hughes, I wonder if we might start with you, and then I'll give my remaining time to Professor Dufour.

Mr. Justin Hughes: As a short answer, I think there has been very little discussion in the United States on the possible infrastructure package as it relates to environmental protection and favourable procurement for environmentally protective businesses and production methods. Personally, I certainly would like to see that. Of course, the easiest way to deal with the WTO procurement agreement is to make as many of your contracts as possible fall under the threshold. That's a limited strategy, but it is a strategy.

One also has to remember that we are in a period when all of these things are under discussion. I would agree with the spirit of many of the witnesses and members, in that now is an opportunity

for like-minded countries to get together, even in an alternative forum, not necessarily the WTO, but perhaps at the OECD or perhaps within informal groups, to say that this is how we would like to reimagine some of these agreements, particularly government procurements.

Mr. Daniel Blaikie: Thank you.

[*Translation*]

Ms. Dufour, would you like to comment on this?

Ms. Geneviève Dufour: Mr. Blaikie, you wanted to know how, in Canada, we could structure projects so that our government contracts include greener criteria. Is that right?

Mr. Daniel Blaikie: That's right.

Moreover, how could we use this willingness to get things done so that, if the United States shared this desire, Canadian companies would have access to projects promised by the Biden administration?

Ms. Geneviève Dufour: Global studies show that the process of greening our government contracts starts at the top, not the bottom. The government must require the addition of sustainable development criteria in government contracts. This can be done in a progressive and flexible manner. There can be short-term and medium-term goals. We don't want everything to be green tomorrow. However, the government must start requiring its own buyers to comply with environmental criteria.

In government contracts, the vast majority of bidding processes currently don't include any sustainable development criteria. It isn't right that this is the case in Canada, when we look at what happens in Europe, in Japan or in Tunisia, for example.

The government must impose obligations. We must develop a culture in our companies.

We know that small and medium-sized enterprises, or SMEs, run on a day-to-day basis. If we don't impose obligations on them as well, they won't change their methods. This isn't because they don't want to. It's because they operate in the here and now. They must develop another culture and change their methods. The SMEs that already have green assets must start documenting them.

I work with the Aluminium Association of Canada and glass producers. They don't always have the data to show that they're greener than other companies. Aluminum companies are really an exception, because they're ahead of many other companies. The most important thing is to give buyers tools. We need to give them the tools to make things easy.

• (1920)

[*English*]

The Chair: Thank you, Mr. Blaikie.

We will go now to the second round, with Mr. Strahl for five minutes, please.

Ms. Leona Alleslev: Actually, I think Mr. Strahl has graciously given his time to me, Mr. Chair.

The Chair: I'm sorry, Ms. Alleslev. Go ahead, for five minutes, please.

Ms. Leona Alleslev: Thank you very much.

Professor Hughes, you put it into context that the United States has been clear, in recent memory, in identifying where they're going. One of the areas has been the challenges with the global economic balance of power, the impacts of the playing field and the rules of global trade, not the least of which are the rules at the WTO.

The U.S. has made motions that it wants to amend some of them. Is that a fair statement?

Mr. Justin Hughes: The United States has become increasingly frustrated with some of the operations of the WTO. That is a fair statement.

I thank you for calling on me again, because I spoke so long the last time that I thought you never would.

There are those who say the WTO is dead because the appellate process is suspended right now, but I don't think that's fair either. We've really just reverted to the GATT system. The GATT system was a very constructive system for resolving trade disputes.

I'm optimistic, but we will go through a period of reassessment—and I think all of us together.

Ms. Leona Alleslev: One of those is around domestic procurement and how we would use domestic money for our own industries and national security elements. Is that correct?

Mr. Justin Hughes: Absolutely. To riff off something Ms. MacEwen would say, many of us who believe in international trade also believe that localization is very important and that North American trade is more important than distant trade, so we should be fostering that.

Ms. Leona Alleslev: That's fair enough. Possibly we might have an option to open chapter 13 of CUSMA, or perhaps we can look at the possibility of changing WTO rules. However, as you said, trade never operates in isolation. Some of the American policies are not necessarily directed at Canada, but the United States has been clear that there are some other aspects outside of trade, from the environment to security to defence, on which it would perhaps like Canada's position to change. That also might be a leverage point for our relationship on trade.

Is that how you're seeing it as well?

Mr. Justin Hughes: Yes, but I think the commonality of Canada and U.S. positions in multilateral fora is long and documented. I'm just reading a book on the development of GATT, and out of all the members of the Commonwealth at the time of the development of GATT, it was Canada and the United States that were trying to convince all the other members of the Commonwealth to come along.

Ms. Leona Alleslev: So should Canada be looking at reviewing our position with respect to WTO, with respect to some of the

North American NORAD defence principles, with respect to, say, our relationship with some other perhaps not-like-minded countries if we are hoping to reinvigorate and rebolster our relationship with the United States?

• (1925)

Mr. Justin Hughes: I think we need to find more common issues than just trade. We need to find the common things we care about—democracy, the environment, labour protection, human rights. Let me just say in 20 seconds that everyone needs to understand that after World War II, the trade system threw all of those things out in order to try to get the world economy started again. We're reaching a point now where it's time to bring those back in and to say that those count.

Ms. Leona Alleslev: You're talking about a balance between world trade and domestic national security capability. Is that correct?

Mr. Justin Hughes: Yes, ma'am.

Ms. Leona Alleslev: Ms. MacEwen, if I might, your organization published on February 21, 2020, a document making some recommendations on what information Canadians should have regarding economic impact. You recommended that economic impact assessments should be mandatory within the parliamentary process. I'm wondering if you still feel that way, and if understanding the economic impact of buy America or exclusion from a buy America process would help Canada's positioning on this topic?

The Chair: Could you give us a very quick answer, please?

Ms. Angella MacEwen: Sure. I definitely think more transparency, more information, and more consultation are always better, so yes.

The Chair: Thank you, Ms. Alleslev.

We'll now go to Mr. McKay for five minutes.

Go ahead, please.

Ms. Leona Alleslev: Thank you very much.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair.

I want to narrow the focus here and get the best advice we can from three very able people.

There's a \$2.3-trillion proposal by the President—roughly the size of Canada's entire economy—and it's quite clear that if you look through the various elements in the bill, many of them have nothing to do with buy American or with any difficulties that we might have in the trade relationship. It's also clear that we haven't had a heck of a lot of really good access to the American economy. Even at the best of times, it's something in the order of about \$600 million, according to an answer we received from the trade folks.

The real question here is what to focus on. What is your best advice to the Government of Canada in terms of what it should focus on, assuming this bill goes through? It won't go through at \$2.3 trillion, but it will go through certainly north of \$1.5 trillion. The question, really, that I have is, what is the area of focus, the areas that are most problematic, and the areas where the Government of Canada's arguments are strongest? What are the elements—and I'm not sure who said it—that are legally questionable?

I'd like to start with Mr. Hughes and then go to the two other witnesses for answers to those questions, if I may.

Mr. Justin Hughes: In a quick answer, I've not studied the initial administration proposal on the infrastructure bill. I don't know what the \$600 million statistic is that you cited, Mr. McKay.

I will tell you that the Biden administration officials have told me that in terms of government procurement access, their estimates are that Canadian firms are open to address about \$300 billion worth of U.S. federal procurement, versus U.S. entities having about \$10 billion available to bid for on the Canadian side. I am conscious that folks in the government in Washington are aware of that differential.

My advice, if I were giving advice, would be to sit down carefully with Washington—because right now Washington is very, very concerned about supply chain issues—and figure out where the holes are in the North American supply chain, and let's jointly fill those. If that means a factory here that's refurbished and a factory there that's refurbished and we jointly do something here—great.

I'm sorry. I'll take just 20 seconds more. In testimony before this committee, you've been talking repeatedly about Ontario automobile plants suspending production because of lack of semiconductors, but the same thing is happening on the United States side. We have this common problem.

• (1930)

Hon. John McKay: Amen, brother.

Go ahead, Professor Dufour.

[*Translation*]

Ms. Geneviève Dufour: I completely agree with what Mr. Hughes just said. In my opinion, after a comprehensive analysis of the measures that will be announced—a process that will take some time—the Government of Canada must hold discussions to reaffirm the integration of our value chains. This bears repeating over and over again: the Americans can't close their territory today and think that they'll become self-sufficient. Our value chains are too integrated.

Mr. Hughes spoke about the automotive products that are constantly crossing the border from one jurisdiction to another. Unfortunately, a discussion after the analyses isn't a satisfactory solution. This leads to a great deal of unpredictability, which is the worst enemy of trade. That said, I can't think of a better solution.

[*English*]

The Chair: Ms. MacEwen, I hate to do this again, but we need just a short answer.

Ms. Angella MacEwen: Thank you.

I would agree on the supply chains, but I think what we need to do as a government is to prepare our industry to be able to meet those types of sustainability criteria, to be able to help them show where they have clean energy supply chains and where they're using Canadian steel or Canadian aluminum that has a much lower footprint. We can easily prove that. Those are the types of things that will help them be competitive in the market globally and within the United States regardless of buy American policies.

The Chair: Thank you, Mr. McKay.

We will now go to Monsieur Savard-Tremblay.

[*Translation*]

You have the floor for two and a half minutes.

Mr. Simon-Pierre Savard-Tremblay: Thank you.

I'll turn to Ms. Dufour again so that we can pick up the discussion from where we left off earlier. Since I'm also keeping up with your work, I know that you have already described the presidential executive order as a mixture of everything done up to now. We're talking about scattered practices, meaning policies, executive orders and measures. They're being put under one umbrella and made official.

Is the Small Business Act part of this? Of course, I'm talking about the American legislation that ensures a minimum amount of content from SMEs in government contracts.

I also want to know how this relates to the overall picture that you painted.

Ms. Geneviève Dufour: You're right to bring up this measure, which can affect Canadian businesses. You're talking about the measure whereby all contracts under \$250,000 must be allocated to American small businesses. This means that Canadian companies are excluded from these contracts. However, American companies have the option of forming a joint venture with a Canadian company or at least co-contracting in Canada. Again, this isn't a perfect option. However, the option is available for up to 50% of the contract value. An American company can co-contract with a Canadian company.

It isn't perfect, but it's another limit that the Americans enshrined in their commitments. Under international economic law, they have the right to do that. We must then negotiate to obtain preferential access to their market. Within the WTO, the AGP rules apply to 48 states. If we want to be treated more favourably, we'll need to negotiate with them.

Mr. Simon-Pierre Savard-Tremblay: In terms of the minimum amount of content from SMEs in the contracts, the same rules apply, meaning that the advantage given to one must be given to the other. Is that right?

Ms. Geneviève Dufour: Yes.

Mr. Simon-Pierre Savard-Tremblay: This is also the rule of the nation—

Ms. Geneviève Dufour: It's the rule of the most-favoured nation, yes.

Any measure, privilege, law, directive or policy that would favour Canada, even if it isn't mandatory, must be extended to all the other states, unless it's included in a duly concluded and notified free trade agreement.

Mr. Simon-Pierre Savard-Tremblay: So, in this case—

The Chair: Thank you, Mr. Savard-Tremblay.

[*English*]

Now we will go to Mr. Blaikie for the final question, for two and a half minutes, please.

Mr. Daniel Blaikie: Thank you very much.

I'm going to start with Professor Hughes because I just want to explore a little bit more the kinds of supply chain coordination you are talking about, or the potential for it between Canada and the United States.

I am wondering how that interacts with the prohibition on sector bargaining, and what those kinds of agreements on supply chain coordination might look like without engaging in any kind of sectoral agreements that would be prohibited under the World Trade Organization rules.

• (1935)

Mr. Justin Hughes: I'm happy to answer that.

On the sectoral agreements that Professor Dufour was discussing, I believe she was talking about GATT article 14, which means that if you have a preferential trade arrangement, including a free trade area, you cannot do it by sector. That has nothing to do with collaborative efforts on developing a semiconductor factory or in building a pipeline or a dam for generating electricity.

My analysis would be that's not an issue and we don't need to worry about that. I see Professor Dufour nodding her head with a yes.

[*Translation*]

The Chair: Ms. Dufour, would you like to add anything to this statement?

Ms. Geneviève Dufour: I completely agree with this statement. These arrangements are outside the scope of the agreement when their purpose is to carry out a given project.

[*English*]

Mr. Daniel Blaikie: Then what does the relationship look like between governments that are identifying a need in private markets and the private actors within those industries? It's not something that New Democrats and I are typically averse, but when we talk about that kind of coordination within a sector, what kind of public involvement are we talking about?

The Chair: Give a short answer, please.

Mr. Justin Hughes: My short answer would be that I believe that you have tried in the past to rehabilitate the term “industrial policy”, and I think going forward the term “industrial policy” is not a dirty word.

The Chair: Thank you very much, Mr. Blaikie. We really appreciate the comments.

I want to really thank all of the witnesses for taking the time to enlighten us and giving us their perspective. This has been an excellent committee. Thank you very much, to all of you. I wish you all a happy weekend.

We will suspend now for a few moments to allow the other witnesses to come in.

• (1935)

(Pause)

• (1935)

The Chair: Thank you very much.

Welcome back, everyone.

I would like to welcome the panellists to the committee. From the Canadian Manufacturers & Exporters, we have Mr. Matthew Wilson, senior vice-president, policy and government relations; from the Canadian Steel Association, Catherine Cobden, president and chief executive officer; and from the Cement Association of Canada, Michael McSweeney, president and chief executive officer.

Mr. Wilson, I will open the floor to you for five minutes for your opening comments, please.

Mr. Mathew Wilson (Senior Vice-President, Policy and Government Relations, Canadian Manufacturers & Exporters): Good evening and thank you, Mr. Chair, and members of the committee.

Thank you very much for inviting me to participate in today's discussion. It is my pleasure to be here on behalf of our association's 2,500 direct members, and 90,000 manufacturers and exporters across the country to discuss buy America policies.

My comments today will aim to reinforce CME's long-standing ask that governments fight buy American policies, and push for the implementation of buy Can-Am policies instead.

It goes without saying that the work of the special committee is timely and of great importance to Canadian manufacturers, not just on today's subject of buy American, but all aspects concerning our special relationship with the United States.

Canada's trade partnership with the U.S. is a core component of our economies and the very lifeblood of manufacturing. Goods manufactured in Canada or the U.S. can cross our shared borders several times during the production process. The majority of trade between our countries are subcomponents that go into making finished goods. As a result, Canadians and Americans don't simply trade with each other, from steel to cars, from computers to robots, from chemicals to medical devices, but also make goods together, and we compete with the world together. In many sectors and with many goods, there is no distinction made between Canadian or American goods. This is the way our trade rules have been developed over decades.

Buy American-style policies create a distinction between locally produced and foreign produced goods for government contracts, and make huge amounts of political and practical sense. The theory is that if government is spending taxpayers' dollars on goods, those goods should stay within the local economy. In addition, in some sectors, procurement can significantly strengthen and develop essential industries.

Politically, the narrative is that these policies are used to protect local jobs and industry against bad, and in some cases illegal, activities from foreign competition. In general, the CME agrees with the theory of this approach and has long argued that the Canadian government should place a higher priority on domestic sourcing of goods through procurement policies. However, not many of the buy American policies have been implemented historically. Rather, we believe that you can take into consideration the economic upside of procurement while recognizing and supporting regional supply chains, and ensuring that taxpayers get good value for their money.

The challenge with buy American as currently implemented is that it tends to be a blunt instrument that doesn't differentiate between integrated supply chains and imported or finished goods, therefore undermining regional supply chains.

Here's an example. During the implementation of the American Recovery and Reinvestment Act in 2008-09, the U.S. implemented a range of buy American policies. A large well-known U.S. manufacturer bid on a contract to supply water pumps as part of municipal infrastructure projects. That company's bid was rejected. Why? Because one simple component, not the finished product, was manufactured in its plant in Oakville, Ontario. This not only hurt its Canadian operations, but the U.S. company's operations as well.

CME has worked on this file with our member companies for a long time. We've researched and have analyzed surveys and written papers on the subject. We have worked with governments on solutions and options including through the ARRA and, more recently, through the renegotiation of NAFTA.

Based on our work, there are generally three options that CME believes are most important in Canada's approach to buy American policies. First, push for buy Canadian procurement policies in the U.S. and implement similar measures here. Second, reciprocity is a must, and must be a fundamental principle in any trade relationship, including with the United States. Canada must not be afraid of implementing retaliatory measures. Third, Canada and the United States should build from existing areas of procurement where do-

mestic production capabilities are needed, especially as it relates to COVID-19 recovery and future preparedness.

In fact, these approaches are all used today in various ways, and they work. The Gordie Howe International Bridge that will connect Ontario to Michigan uses a buy Can-Am procurement model. The Province of Ontario implemented a reciprocal procurement market access provision when faced with the U.S. states threatening to block sales of Ontario-made goods into their markets, and those states backed down. Canada itself implemented similar provisions last year in steel aluminum tariffs. We have seen for over 50 years a joint defence procurement agreement that supports integrated production and procurement in defence industries.

Given the current executive order on expanding buy American policies and the current administration's historical connection to using these policies, CME believes that it is essential for the Canadian government to aggressively push for a bilateral and permanent buy Can-Am deal.

CME understands that this ask comes with significant challenges, but believes the timing is right. The new administration is much more aligned to international co-operation and, in general, to Canadian views on politics and policies.

We are in the process of implementing a new free trade deal. It lacks a modernized procurement chapter for governments on both sides of the border in implementing economic recovery packages that heavily feature procurement spending as a key tool in that recovery.

Thank you again for inviting me to discuss this, and I look forward to the discussion.

• (1940)

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

We'll now go to Ms. Cobden, for five minutes.

Ms. Catherine Cobden (President and Chief Executive Officer, Canadian Steel Producers Association): Good evening, everyone.

Thank you very much, Mr. Chair.

My name is Catherine Cobden, I am the president and CEO of the Canadian Steel Producers Association. I thank you for the opportunity to appear here today to share the perspective of the domestic steel industry on the important economic relationship between Canada and the United States as you deliberate on buy American and the American jobs plan.

Our member companies produce approximately 15 million tonnes of steel and products annually, and support about 123,000 direct and indirect jobs in over five provinces. Our industry plays a strategically important role in the economy as a critical supplier to the North American automotive, energy, construction and manufacturing sectors. We send approximately 40% of our total production to the United States every year, and we meet about 5% of their market needs. In turn, we are a very important customer to them, with U.S. steel making up about 25% of all steel used in Canada. We also benefit from strong and integrated supply chains and markets, and indeed, steel may pass over the border multiple times as it is transformed into specific products required by the marketplace.

While we've had our share of challenges in Canada and U.S. steel trade over the last years, we remain steadfast in our view that we're stronger together than divided. We welcome the renewed collaboration agenda that we have been hearing out of the different bilateral meetings our government has been holding with the United States. Undoubtedly, there are challenges ahead, however, we believe it's crucial to take hold of the opportunity of this goodwill to ensure we maintain and even strengthen access to the United States.

While buy American's damage has been done to steel in previous versions of that program, we are concerned about how things may play out, given changes proposed in the new made-in-America economic plan and the potential implications for its American jobs plan. Our real-life experience is that exclusions or not, customers are driven away from using Canadian steel due to the market chill created by these policies and very practical considerations, such as things like needing to carry different inventories, buy American inventories and non-buy American inventories. We certainly appreciate the efforts and thoughts around seeking exclusions, but we are concerned that this would not at all be a sufficient approach to this challenge.

We would suggest a broad approach in our response to the buy American plan, built upon this collaboration of key priorities and the ability to demonstrate our commitment to make similar efforts in Canada. We have four specific suggestions for your consideration.

Number one, promote Canada as a reliable supplier of green materials in support of the U.S. climate objectives and build back better with their infrastructure programs. The U.S. does not have sufficient supply of its own domestic steel, so it will need trading partners that share common vision and objectives on many fronts. On climate in particular, I'm proud to say that Canadian steel producers are among the greenest in the world. A recent global benchmarking study reports that Canadian steel is number one and number two in the world, depending on production methodology, for the lowest carbon intensity when compared to other major steel jurisdictions around the world.

Number two, demonstrate our commitment to green procurement in our own infrastructure program. This is an important area that continues to be overlooked in Canada's climate and net-zero plans. Canada's steel sector has the green credentials, and I know other sectors do as well, to support this important objective, and we feel it is a bit of a credibility issue to expect this within a U.S. infrastructure program while not pursuing this explicitly in Canada.

Number three, position Canada as an equal partner with the United States in our fight against unfair steel traders through explicit changes to our trade remedy system. Canadian and U.S. steel industries share a deep concern with the growing and significant global overcapacity from China, Iran, Turkey and other areas in the ASEAN region, for example. The U.S. has made significant changes to its trade monitoring and enforcement system to catch and penalize unfair traders, and we simply must keep pace.

• (1945)

CSPA members have made a range of recommended changes, including identifying where steel is melted and poured, improving our monitoring system at the border and addressing the pressing need for an anti-circumvention framework similar to the United States.

Our final suggestion is to continue to support the full implementation of CUSMA. This agreement has been very good for the steel industry. It recognizes the deep integration of our economies and strengthens the competitiveness of the North American industry and our supply chains.

Thank you, Mr. Chair, for the opportunity to provide these comments.

• (1950)

The Chair: Thank you, Ms. Cobden.

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

Mr. Michael McSweeney (President and Chief Executive Officer, Cement Association of Canada): Thank you, Chair and committee members, for inviting me to speak here tonight.

My name's Michael McSweeney and I'm president and CEO of the Cement Association of Canada.

We represent five cement companies with cement manufacturing facilities across Canada. Our members are Ash Grove, Federal White, Lafarge, Lehigh Hanson and St Marys Cement. Our mission is to promote and advocate for the environmental, economic and social benefits of building with cement and concrete.

Our industry constitutes, literally, the foundation of economic growth and infrastructure. Virtually all construction across Canada—above ground or below ground—needs concrete. Twice as much concrete as any other building material combined is used. Behind water, concrete is the second most consumed commodity. For every woman, man and child globally, three tonnes of concrete are consumed each and every year.

Throughout COVID, our industry was recognized as essential as provincial officials strived to maintain the construction of infrastructure like hospitals, schools, waste water treatment facilities and public transportation networks.

Over the past five years, Canada's economy has used approximately 45 million tonnes of cement. In the next five years, it's forecasted that Canada will consume 55 million tonnes of cement. This will yield 400 million tonnes of concrete, which is enough to fill 24 million concrete trucks. Parked bumper to bumper, those trucks would circle the globe four and a half times.

In addition to concrete and cement being indispensable, we are truly the cornerstone of Canada's economy. We have concrete plants right across Canada and in every political riding. There are 1,000 ready-mixed concrete plants, 35 concrete pipe plants, 15 cement plants, 56 precast plants, 12 insulated concrete form plants and 35 concrete block plants. Combined, cement and concrete operations generate over \$76 billion in annual economic activity and employ over 158,000 Canadians.

The economic impact of our industry cannot be underestimated, particularly given the role that Canadian cement plays as a strategic export to the United States. It might come as a surprise, but 40% of all of Canada's cement is exported to the U.S. across the Great Lakes, down the Atlantic seaboard and down the Pacific northwest coast.

All of this brings me to today's topic, which is buy America, buy American and made in America.

The U.S. and Canada have long maintained a mutually beneficial, tariff-free relationship when it comes to trading in cement. The U.S. cannot produce enough cement domestically to meet its demand. To address this gap, the U.S. imports over 16 million tonnes of cement annually, with 35% of that—almost 6 million tonnes—coming from Canada. Our two markets are completely integrated, allowing cement to move back and forth across the border to reach key markets across the U.S. Restrictions to this trade flow, in the form of buy America and buy American policies, risk damaging that long-standing integrated supply chain. With 40% of Canadian cement exported each year, a failure to exempt Canada from rising trade protectionism will result in increased costs and delayed infrastructure projects for the U.S., as well as a loss of Canadian jobs here in Canada.

This would also work against the U.S.'s buy clean agenda. If the U.S. displaces Canada's imports with imports from Asia and eastern Europe, we'll see an increased GHG emission profile of approximately 25% from the transportation of cement alone.

Given that cement is part of the integrated Canada-U.S. market that optimizes manufacturing logistics and regional demand, Canadian exports to the U.S. reduce shipping costs and greenhouse gas emissions. Canada produces one of the lowest carbon-emission cements globally and continues to pursue deeper emission reductions through many new innovations. I might add that the Canadian cement industry can easily reduce five to six megatonnes of GHGs over the next five years.

• (1955)

It's important that Canada make the case to the Biden administration to issue a waiver for Canadian cements as it develops its buy America/buy American plan. Canadian officials must highlight the mutually economic benefits of maintaining a free flow of trade and the importance of available and increasingly lower carbon cement, to buy clean and build back better agendas in both Canada and the United States.

Thank you very much.

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

We will now go to questions.

For the first round, it will be Mr. Lewis for six minutes, please.

Mr. Chris Lewis (Essex, CPC): Thank you very much, Chair, and to the witnesses. It's certainly incredibly awesome testimony. I appreciate it.

I was so happy that all three of you brought up the border issue, which is where my questions will be geared to tonight.

I'd like to start with Mr. Wilson.

I spoke yesterday, Mr. Wilson, to the union president of the CB-SA in Windsor, the busiest international border in all of North America. He represents 540 union employees—300 frontline and 240 support services. They don't have vaccines in their arms. Sarnia's employees have vaccines in their arms. Norfolk does. Windsor doesn't.

My first question for you, sir, is this. In the event, and I really hope it doesn't happen, that our CBSA officers, our frontline officers, were to be infected with COVID-19 and we had to shut the border down, what would that do to the manufacturing industry?

Mr. Mathew Wilson: Well, it would very quickly stop most production in most sectors. To be very blunt, Mr. Lewis, if stuff can't move back and forth across the border, the manufacturing sector can't operate. There's almost no part of the supply chain that doesn't have linkages either going out of or coming into the U.S. That border crossing is essential. A lot of this is discussed in terms of the automotive sector, but, actually, the second-largest volume going across the border is foodstuffs. Not only would it impact manufacturing, but it would impact what you and I eat on a daily basis and what we'd be able to buy from grocery stores. The impact wouldn't just be on the manufacturing sector; it would be pretty big and pretty wide pretty quickly.

Yes, you could reroute and go through, say, the Niagara frontier or through Sarnia, as you mentioned. It's not very convenient, but it can be worked around.

Look, we've been advocating a long time for better testing and better vaccines for all essential workers, and that includes our border guards. Certainly we're coming at it from a manufacturing perspective, but that's a really key part. They're just as important as the truck drivers themselves who would moving the goods back and forth.

Yes, it's fundamentally important that that gets taken care of.

Mr. Chris Lewis: Thank you.

Mr. Wilson, this is a Canadian aspect. It's not only about my backyard of Essex and Windsor, although it's very near and dear to my heart. Essex and Windsor probably has some of the greatest and most advanced manufacturing assembly that happens across our incredible country called Canada, but I do realize that not only is it more countrywide, it's global.

Sir, I believe you mentioned in your opening statement that there are some 90,000 exporters. That one really caught my attention as something crazy. I would also suggest, sir, that I do know there's a major issue with.... Many people think about commerce as a good, as a piece of paper, as a carrot, but people are commerce. I've been speaking to so many people on both sides of the border, the Canada and U.S. sides, in Michigan, Ohio, Pennsylvania—Mexico. I know a lot of the people you represent, sir, bring in thick stacks of paper to go across the border to show the CBSA officers, the border guards on the U.S. side, that they indeed are an essential service.

This question, quite frankly, can go to all of our witnesses. Would it be beneficial to the exporters, to our manufacturing, to our advanced manufacturing and assembly, if we had one page—one page—that shows people have been vaccinated within the last two hours, that they are an essential service? They show it to the border guards, and they're not tying up our border guards. They're not tying up commerce. Does that make sense?

I'm trying to get creative here so we can move past this and actually have the discussion to open up our economy.

● (2000)

Mr. Mathew Wilson: Very quickly, companies can do paperwork. They may not like it. Small companies have a hard time with it, but they can deal with it. What they can't deal with is uncertainty, and that's really the situation we're into now with most of the movement of people. I think you captured it very well in terms of its not being just about the goods, but about the people and ideas that go back and forth. They're essential for making sure manufacturing works.

We'd all be in favour of anything that could be done to make it more consistent and simplified. I'm not exactly sure about one form versus five forms That can be up for negotiation. It just has to be consistent between border crossings every time of day, between border guards. It shouldn't matter when someone shows up or where they show up: The rules need to be applied in the same way.

Mr. Chris Lewis: Thank you, Mr. Wilson.

Mr. Chair, how much time is left?

The Chair: Mr. Lewis, you have less than one minute.

Mr. Chris Lewis: Thank you, Mr. Chair.

My last question is for Ms. Cobden, from the steel industry.

We have the Gordie Howe bridge slowly being built, and you know, I have a monster steel industry right here, literally about 10 kilometres from me, one of the largest steel industries that go back and forth.

What can we do as a committee to promote this, from our side to the United States, to not bring in Chinese steel or Turkish steel, to use our own steel?

Ms. Catherine Cobden: Yes, Mr. Lewis, I really appreciate that question. Thank you very much.

I was trying to point that out in my remarks. I think there is absolutely a need to do more to promote the use of both Canadian, and on their side, American steel. I'm not saying that all importers are unfairly trading, but we are at very high risk. We are a very intriguing market for unfair-traded importers, and when they pour into a market, they really disturb it.

In terms of what we can do to prompt that, we're trying to give you some sense of our advantages. We're very green. We obviously create high employment in the area, and we have good labour practices that would also appeal to the United States. There are lots of places where we're commonly aligned, so we need to continue to pursue that.

Also, don't forget the trade remedies that I've mentioned. We must do more at our border to prevent those importers. Man, those unfair traders are very sophisticated in how they figure out ways around the tariffs that are in place.

Mr. Chris Lewis: Thank you, Chair.

The Chair: Thank you, Ms. Cobden; and thank you, Mr. Lewis.

We'll now go to Mr. Sarai for six minutes, please.

Mr. Randeep Sarai (Surrey Centre, Lib.): Thank you, Chair.

Although this study is more about buy America, buy American and those trade policies, I want to thank my colleague Mr. Lewis who has highlighted the vaccination issues. I hope somebody from Premier Ford's cabinet is listening to this to make sure there is vaccination at the border crossings. While others are and his aren't, I think that's a problem that the Premier of Ontario and the health authority of Ontario need to take very seriously. We should maybe point that to the health committee to facilitate that.

In this, I want to thank, first of all, Mr. Wilson, Ms. Cobden and Mr. McSweeney for their testimony. It's very important.

You have emphasized what we all see every day: goods going back and forth. I have AI industries in my riding that fabricate steel, and I remember when the tariffs were put on, we had interesting dilemmas happening where their steel was being tariffed by the U.S., who were saying that it's unsafe, and on the same side we were countervailing and hitting steel where certain parts were coming from the U.S.

With the schools being built in Seattle, some of the steel is coming from the U.S., some is coming from Quebec, and some is fabricated here in British Columbia and then assembled down in Seattle. Therefore, you can see the intricacies of the steel going back and forth, and parts going back and forth. That has really shown it.

Mr. McSweeney, you've talked about it in terms of concrete. Every day we see Lafarge and others shipping cement, going back and forth. Some products made on the other side of the border come over this way. I think it's almost impossible to separate that type of ingredient in it.

What I would like to know, and anyone can feel free to elaborate on this, is if they were to effectively stop Canadian products from being able to be bought in procurement under the U.S. federal plan, what is the dollar value that would be at risk that falls below the 50% American input threshold? What would we be at risk of losing? Does anyone have an idea?

Mr. Wilson, perhaps you might elaborate, as you're kind of the collective on it. I've been trying to get this from many industries and haven't got that number.

• (2005)

Mr. Mathew Wilson: Here's the problem. I think in the last panel someone mentioned \$600 billion in procurement markets in the United States. It's a huge number. We only make about that much in manufactured goods in Canada on an annual basis across all industries, so it's a massive number.

I don't want to put an exact dollar number on it. What I will say is that, whatever you think it is, it's going to be bigger. The reason I say that is that economists will come out and study and say, "In this sector, in this sector and in this sector, this will be what the impact is", and they'll give you a nice round number. Maybe it's a \$100 billion, maybe it's \$50 billion; I don't know. What you can never calculate is the chilling effect on everything else that you never see.

What we end up seeing is that, when the government starts promoting buy American policies mostly as a way to be against dumped stuff coming in from offshore, they almost always say, "Oh, we don't mean Canada", even though it spills over into every procurement decision that any company and the government make on anything. You can set all the benchmarks in the world—50%, \$50,000, \$2 million—but whatever number you want to throw out there is completely irrelevant, because what ends up happening at the end of the day is that it spills over into every single transaction that takes place in every single sector, both in the public and private sectors.

There are no easy solutions. We've even had member companies of ours who were involved in this actually buy American companies themselves to get around the buy American restrictions and continue to manufacture the goods in the United States to supply

U.S. government contracts, only to be told they weren't allowed to bid on American contracts because they weren't an American company.

Mr. Michael McSweeney: I think it would be fair to say that it's hard to put an exact cost on it. It would be billions and billions of dollars between steel and cement, for sure, but it's about jobs, union jobs. It's about food on people's tables.

Mr. Randeep Sarai: I completely agree, and that's why I think it's very important to remind the Americans of the amount or extent to which they participate in our procurement and our industries. Whenever a trade war happens, it's tit for tat, but Canada is not just going to sit idly on this. The cost at the end of the day goes to the consumer, and the consumer, whether it's a school board or a home builder—which is going to get a foundation from you, Mr. McSweeney, one way or another—they're going to pay extra dollars for it. I think the reminder from that is going to be key. Our trade commissioners and embassy staff have been doing a great job. We've asked them about this, and they'll continue to do it.

You want to say something.

Mr. Michael McSweeney: As Catherine Cobden said, these are green materials. Canada is noted for its green materials. As with steel, we have the cleanest fleet of cement plants in the world right here in Canada. That should be of interest to the American administration.

Going to Mr. Lewis' point, I think one thing you could do—and I heard Minister Wilkinson talk a little bit about it today—is the border carbon adjustment. We have a very strong carbon pricing system here that is pricing pollution. If companies are trying to export into Canada or the United States, there should be a border carbon adjustment to try to foster the buying of green products between Canada and the United States, with our good, clean, sustainable carbon pricing policies that we all live by, rather than jurisdictions like eastern Europe, China or other areas that do not have strong policies when it comes to carbon.

The Chair: Thank you, Mr. Sarai.

We'll now go to Ms. Savard-Tremblay.

[*Translation*]

Mr. Savard-Tremblay, you have the floor for six minutes.

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

I want to thank all the witnesses.

My questions are for Mr. McSweeney from the Cement Association of Canada and Ms. Cobden from the Canadian Steel Producers Association.

You described your respective products and sectors as very innovation-oriented industries at the forefront of green research and development. This aspect is very necessary in this era of climate change. There was also talk of Quebec's aluminum, which is one of the greenest in the world.

Ms. Cobden, you talked about ways to get around pricing requirements at customs. Have you seen any specific instances involving insufficient regulations or pricing, or blatant circumvention?

In other words, are there any attempts to slip through the cracks of the safety net by using semantics or the way in which the regulations are written, or is there simply no safety net?

• (2010)

[English]

Ms. Catherine Cobden: Sorry, I'm going to answer in English.

We have a very good trade remedy system. I don't want you to think of my remarks as being about a porous border where problems are taking place. I really want to stress that we have a very good trade remedy system.

That said, it is just a fact that certain types of importers trying to get their products into our country will use all sorts of tactics to avoid paying the required duties on their products. This could include things like a dutied country sending steel to another country that's not duty-bound, doing some slight transformation to it and then bringing it into our country. We have no capacity in Canada to see the visibility of that transformation and to understand that the steel is actually coming from a country that should have a tariff applied to it.

While I do feel that we have a good system, it must continue to move forward, and we are seeing the Americans do that. I appreciate the discussion around reciprocity and retaliation and all of that—as an industry, we have been there for sure—but what we'd prefer to see is that we're actually linking arms with the Americans on this challenge and turning our attention outwards against those areas of concern.

Mr. Michael McSweeney: From our perspective, there is no greater societal challenge after COVID than climate change. I can give you an example of where American companies will bring cement from Korea and China into the U.S.—the Pacific northwest—and then put it on a truck and bring it into British Columbia. We know that British Columbia has had a carbon tax since 2008. The carbon tax is only applied to fuels used to make cement or to make any other product in British Columbia, so this cement that comes from Asia by boat, causing 25% more greenhouse gases as it's shipped across the Pacific into Washington state, then by truck into B.C., avoids our carbon pricing system. They avoid the carbon tax. From 2009 to 2014, 42% of the cement used in British Columbia came into British Columbia with no carbon tax because it came through Asia via America. That's why we really do need a mechanism like a border carbon adjustment to protect our domestic industry, our union jobs and the way our plants operate.

Ms. Catherine Cobden: Mr. Chair, am I able to comment as well on the border carbon adjustment, or do you need to move on?

[Translation]

The Chair: You can continue for a minute and a half.

Ms. Catherine Cobden: Okay.

[English]

I would just say that I think the idea of a border carbon adjustment is quite important moving forward, but it should be done entirely in lockstep with our largest trading partner. I took that from Mr. McSweeney's remarks, but I just wanted to underscore that. It is not something we would do against our major trading partners, but, again, together.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you for your very thorough answers.

Mr. McSweeney said that there was a transition, a form of dumping of products from Asia.

In terms of steel, is Asia also the disputed region, the region that produces the steel that manages to be portrayed as North American steel?

• (2015)

[English]

Ms. Catherine Cobden: Yes. In fact, there is a global record. The OECD has a steel committee that tracks various developments, and there's a G20 committee as well on overcapacity. You will see that this is the overcapacity that leads to dumping, and there is a challenge not just in China—certainly China's quite egregious in this area—but also Iran, Turkey and some other areas like the ASEAN region, for example.

The Chair: Thank you, Mr. Savard-Tremblay.

We will now go to Mr. Blaikie for six minutes, please.

Mr. Daniel Blaikie: Thank you very much.

One thing I'm hearing this evening is that one of the ways we could help Canadian industry increase its access to certain kinds of American contracts under the new administration would be to do a better job at greening Canadian industry, and also at documenting the extent to which Canadian industry is already green. Some of that is because we don't have environmental standards or criteria built into our own public bidding here in Canada, which we've heard is one of the reasons our documentation system lags behind that of others. I also appreciate that it's not a system you can build overnight, which I think is all the more reason to get started sooner rather than later.

I am wondering if each of you could provide some perspective, from your own industry, on what the beginning of that process looks like. What are some of the things you would like to see Canada start to do, not just in terms of the criteria that it sets for its own bids—although certainly if you have any commentary on that, that would be great—but also what that process of documentation would begin to look like for Canadian businesses, and a pathway to getting to where we have the kind of documentation we need to be competitive in other international markets where governments are bullish on wanting their public projects to meet stringent environmental criteria?

I'll maybe start with Ms. Cobden from the Steel Producers Association.

Ms. Catherine Cobden: Thank you very much for the question.

Indeed, as I tried to make reference in my remarks, I think that's an important area for us to be pursuing with the United States. We have the credentials, and granted, they're going to get even better in terms of the industry's performance over the long run.

I suggest that we don't want to make perfection the enemy of the good. I think we can start with some interim steps to start documenting, as you say, that performance.

In the steel industry, we happen to have international benchmarks now, which are starting to show some of that....

Obviously, ideally over the long run, we'd go to life-cycle carbon analysis—the full footprint—but I don't know that we need to have all of that in place before we get started.

I think you raised a very important point. This is an aspect we need to move forward on, and I don't think we want to wait until we have spent 10 years perfecting the life-cycle analysis approach.

Mr. Daniel Blaikie: Thank you very much for that.

Mr. McSweeney.

Mr. Michael McSweeney: Along the same lines, Mr. Blaikie, a lot can be done from the procurement side.

We should be talking about always conducting a life-cycle assessment, using the building materials that give you the longest life cycle. Secondly, choose building materials that give you the lowest carbon footprint, and finally, use the best available technologies. We have a raft of those in Canada, from Svante to CarbonCure, to Solidia.

In our industry specifically, we have a new cement. It's called Portland limestone cement. It costs the same as regular cement. When you use this cement, it reduces greenhouse gases by 10%, at no cost to the customer. We've been trying for five years now to get this new cement mandated by the federal government, and by provincial governments and municipal governments. Imagine this: I don't say, "build with concrete". I'd like you to build with concrete, but I don't say "build with concrete". I say that if you build with concrete, use the cement that's going to give you the lowest carbon footprint at no cost to the taxpayer.

Mr. Daniel Blaikie: Thank you very much.

Mr. Wilson, from the manufacturers' point of view, what are some of the things that we might be doing?

Mr. Mathew Wilson: First, I agree with my counterparts, Catherine and Michael. They're certainly looking at it from a very specific sector's perspective.

I'll maybe take a step back, though. We've been working on procurement policy with Canadian governments for as long as I can remember. We can't even get governments to look at economic analysis.

I just want to take a little step back here. I agree 100% with where you're going on this, but we also need to have the economic analysis as part of that. The two go together. It has to be an economic and an environmental analysis. None of that really takes place in any government anywhere in the country. There is some of that with infrastructure projects in Ontario and Quebec, but that's pretty much about it right now.

All of that is really important, and this is why we've really been pushing for an overall examination of Canada's procurement policies as part of the recovery action the government is taking. It should be looking at environmental issues and seeing how we can green supply chains and have low carbon input into it, and we also need to look at the overall economic impact, which includes the environment as part of that.

I agree with everything they were saying. I just want to add that little element on top of it, to take a bigger picture look as well.

• (2020)

Mr. Daniel Blaikie: This seems to me to be something that our trading partners are doing. Do you have a sense of why it is that there's been a reticence at both federal and provincial levels in Canada to engage in that kind of analysis?

Mr. Mathew Wilson: I think it comes back to a misunderstanding of taxpayer value. There was a really big push for a long time in this country to make sure that we were not wasting money when we were buying things. The private sector does a lot of the same stuff, so this isn't pointing a finger at just the public sector on this, but what ends up happening in a lot of cases, Mr. Blaikie, is that the government looks only at initial purchase price. It does not look at—to take Mr. McSweeney's comment, for example—the life cycle, install price or operational performance. It looks only at the initial purchase price because that's what government procurement is reviewed in terms of, and that is how the government looks at things. It's not looking at the longer-term impacts of these things.

The Chair: Thank you.

Mr. Michael McSweeney: We're seeing some change. Missis-sauga, for example, is now doing this. British Columbia Finance Minister Carole James moved away from the lowest-cost bid to the best bid wins, because we all know that when you have lowest cost, you have lowest value.

I'm sorry, Mr. Chair.

The Chair: That's okay.

Thank you, Mr. Blaikie.

We'll now go to the second round, which will begin with five minutes for Mr. Hoback.

Go ahead, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you, witnesses, for being here.

One of the questions I have with buy America is about the size. We still don't know the exact size, but we know it's a big number. Is it big enough to bring new capacity into the steel sector and the cement sector in the U.S.?

Mr. Michael McSweeney: Could you expand on that, Mr. Hoback?

Mr. Randy Hoback: Right now they're running at no excess capacity, so they're basically importing products from somewhere else, whether it's Canada or the U.S.

With buy American policies in place, if they insist on having American product, is it big enough for a company to say, "You know what? This is big enough that I'm actually going to spend x number of dollars to build a new cement facility or steel facility".

Mr. Michael McSweeney: The cement industry really is a closely controlled industry. There are about 25 major cement companies globally, so the five cement companies that are in Canada are the same five companies that are in the U.S., plus there are another five or seven on top of that. They make decisions regarding where to locate their cement plants in Canada and the U.S. If you take Lafarge or Lehigh Hanson —

Mr. Randy Hoback: I have only five minutes, so I have to go fast. Is it big enough?

Mr. Michael McSweeney: It's probably not, because they can choose to get their products made in Canada and use the advantage of our water system and rail system and ship them.

Ms. Catherine Cobden: Can I add, though, that I think there's no question that it will drive investment to the U.S. steel mills, which will then disrupt our competitive position. It will affect our competitiveness by driving.... Whether it takes us out.... I really understand your question. I can't really answer it, but I can say it's going to have a competitiveness effect on us for sure.

Mr. Randy Hoback: Okay.

I'll go to Mr. Wilson. I'm worried about this for our small and medium-sized enterprises. When we had steel tariffs and then counter-tariffs, they were complaining about the cost of steel in Canada getting so high they couldn't compete or get supply. In this scenario now, in this situation, where the U.S. is just sucking up all this amount of cement, steel and other raw goods, what's left for the manufacturers here in Canada and how do we keep them here when we don't have a competitive platform to begin with when compared with the U.S.?

• (2025)

Mr. Mathew Wilson: I'd say that the U.S. and Canada are facing similar price issues with steel. I don't think that's just a Canadian issue, Mr. Hoback. Certainly with the way it's looking in the U.S., if there's no new capacity brought on, I would expect the supply to get tighter, and we know that when that happens, either the prices are going to go up or more stuff will get dumped in from offshore,

which is actually the worst-case scenario. We should be looking at how we can incentivize more production, more supply and manufacturing in Canada.

Mr. Randy Hoback: That's the concern I have. You have a blip, something like this that goes on for five or maybe 10 years at the most, and then all of a sudden you have this capacity sitting in the marketplace. What happens then? All of a sudden we have too much capacity and we go down that road again.

That's one of the concerns I have. How do you find a balance here, and how does the U.S. find a balance here such that it doesn't create this huge amount of demand all at once and then suddenly have all these facilities left over at the end of the day, which now dump everything else into the world market, similar to what China and other countries are doing?

Mr. Mathew Wilson: Mr. Hoback, is that aimed at me generally or at Catherine more specifically?

Mr. Randy Hoback: It's to you.

Mr. Mathew Wilson: It's hard to tell. It's a lot easier in person.

Markets tend to work themselves out, but when governments overcook a market, there can actually be those longer-term impacts. We saw that in Ontario with the Green Energy Act. A whole bunch of production was brought on board for producing certain products to feed into it, and then it all disappeared overnight. We need to make sure we don't overcook it and that we're leveraging the assets we have in existence across North America, which is why buy Can-Am is so important.

Mr. Randy Hoback: Okay.

To go back to the steel sector, then, how do we more efficiently manage a scenario like the one we had two years ago so that we don't end up short-changing suppliers or manufacturers here in Canada with steel? It's still a push-back on having steel dumped into our markets and making sure that we have a balance there. Is there a better way to do that than the way we did it last time?

Ms. Catherine Cobden: I'm not sure if you're referring to the Canada-U.S. dynamic on steel or—

Mr. Randy Hoback: It has an international dynamic, unfortunately. It always does, right?

Ms. Catherine Cobden: Yes, it does, and I can speak to that for sure. The challenge is that there is this global overcapacity of steel and it is looking for a home. It's about 40 times the entire Canadian production. This is just the overcapacity. There is this massive glut looking for a home, and they want to come in and pour it into our market place and disturb our pricing scheme. Also, right now the prices are decent, so there's more and more risk every day that this keeps going on.

Yes, this is a very big area of concern for us, but we share the same concern with the United States. Part of my point is that I think we need to do some things on the home front, Mr. Hoback, to improve our trade remedy system, as I've mentioned, and then we need to work with the United States in lockstep to deal with this global challenge.

The Chair: Thank you, Mr. Hoback.

We will now split the time between Ms. Bendayan and Ms. Romanado.

Why don't you begin, Ms. Romanado?

Mrs. Sherry Romanado (Longueuil—Charles-LeMoine, Lib.): Thank you very much, and I'd like to thank the witnesses for being here.

Mr. Wilson, you said two words that really piqued my interest, and I'm sure some of my colleagues' ears perked up: "defence" and "procurement". In "Strong, Secure, Engaged", the government committed to increasing our defence budget by 70% over the next 10 years to \$32.7 billion. As you know, these funds are already booked in our fiscal framework. The president and CEO of CADSI testified before the industry, science and technology committee that an opportunity for cheap stimulus for our economic recovery is to pull forward some of these projects that are already booked in there.

Given that defence trade is exempt from most international trade agreements and that we could technically use some existing policy, whether it be industrial and technological benefits or national security exemptions, what are your thoughts on this as part of the larger conversation with the United States in terms of our NORAD agreement?

Mr. Mathew Wilson: Do it sooner rather than later. I think I completely agree with the comment made by the president of CADSI—absolutely. We certainly have worked with Canada's regional economic development agencies for a long time to make sure that things like the regional trade benefits are fully taken advantage of in that defence procurement as well.

Whether it's planes, ships or anything else that the government is buying, we have a really big and really important defence industry and manufacturing industry in the country, and we should be accelerating parts of those things to help with the economic recovery—no doubt.

Mrs. Sherry Romanado: Perfect. Thank you so much.

I'm going to turn the rest of my time over to my colleague, MP Bendayan.

Ms. Rachel Bendayan: Thank you very much, colleague.

I too would like to thank all of the witnesses for joining us on a Thursday night to talk buy America and trade.

I don't think I have much time, so I'll address this question to Ms. Cobden and Mr. McSweeney. Let me begin by thanking both of you and your industries for the incredible work you do here in Canada, and rest assured that every minister is raising buy America with every counterpart in the United States. We are on this file, but we also want the help of industry.

Ms. Cobden, you mentioned that there isn't enough of a supply of steel in the United States.

Mr. McSweeney, you mentioned that the U.S. imports 16 tonnes of cement from Canada. I assume that's on a yearly basis.

We know that what President Biden is proposing is a \$2.3-trillion plan, so it seems to me that there might be opportunities for you to be discussing this with the industry in the United States and with your clients to see what their plans are in order to meet the demands they will soon face. Is there opportunity from the industry perspective to have some pressure put on the United States so that we can all work together towards this one goal of ensuring that we continue to have access to this important market?

● (2030)

Mr. Michael McSweeney: I'd like to compliment Minister Ng, as well as Brian Clow in the Prime Minister's Office and other officials at Global Affairs Canada whom we've been working with. They're clearly on top of the file. They're dealing with the USTR and other representatives.

I want to correct that we export six million tonnes a year or 16% to the U.S. It's a large amount.

We know that the Americans don't really want to argue this over the longest undefended border, and we're best friends. It's all about jobs and jobs for Americans. We're having our American counterparts from the same multinational companies talk to their senators and House of Representatives, the border state governors and the border caucus. They're making the case on why they need to buy cement, in this case. I'm sure the steel industry is doing similar lobbying efforts as well.

It's much cheaper. The supply chain will be met when you're starting a trillion-dollar infrastructure plan in the U.S. It's massive. You need the supplies. You want to get the supplies as cheaply as possible, as quickly as possible, and now you want to make sure that you're buying clean. I think both from the steel and cement perspectives, you are buying clean products.

Ms. Rachel Bendayan: Ms. Cobden, do you want to jump in quickly?

The Chair: Be really quick, please.

Ms. Catherine Cobden: I do, to also thank all the good work that's going on in getting the message out to Americans. We are doing the same. We keep in touch on this. It's important. We work across party lines and jurisdictions. We absolutely promote the benefits of the existing supply chain between Canada and the United States. It's sound, reliable, built on good neighbour and environmental practices, etc.

The Chair: Thank you very much.

[Translation]

Mr. Savard-Tremblay, you have the floor for two and a half minutes.

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

I'd like to follow up with Ms. Cobden and Mr. McSweeney.

In trade agreements, there are more and more protections when it comes to rules of origin. For example, there's a desire to avoid dumping by saying, for example, that steel or aluminum parts must come from the area covered by the new free trade area.

We often see that one strategy involves aluminum being cast and melted in Asia and then portrayed as North American parts, when in fact the parts are mostly produced in Mexico. We saw this in our discussion on aluminum under CUSMA.

Have you also seen shortcomings when it comes to protecting the rules of origin in your respective sectors?

[English]

Ms. Catherine Cobden: From a Canada-U.S. perspective there shouldn't be space for any restrictions between friends and allies.

I think, first of all, on the topic of Canada-U.S., they shouldn't exist. We had them exist in the past and they won't exist again, hopefully. To ensure they don't is a very important task.

In terms of dumping, I've tried to address that already. Yes, there is a lot of dumping. We are subject. The risk of dumping changes over time, depending on the conditions of the given market.

I haven't talked about this yet, but we are very engaged in trade cases. It's going after those organizations.

You ask if we see it, and I say yes, we have multiple trade cases going on. We continue to use that trade remedy system to do so.

You can all help us by doing more on the types of measures I've already discussed in improving our ability to see even more clearly the situation that you're painting.

● (2035)

[Translation]

The Chair: Thank you, Mr. Savard-Tremblay.

[English]

We will now go to the final questioner for two and half minutes. Mr. Blaikie, please.

Mr. Daniel Blaikie: Thank you very much.

One of the things we heard in the previous panel was that beyond environmental criteria for bids, another way into the U.S. market is

to have some more supply chain coordination. Recognize where there are gaps in North American supply chains and work collaboratively across countries to try to fill those gaps. Of course that would require some serious industrial planning on Canada's part. We know that Canada traditionally, at least for the last 20 or 30 years, has had a very hands-off approach to anything like industrial policy.

I'm just wondering if any of you would like to comment on the readiness of your industry to engage in some meaningful dialogue with the Canadian government towards a meaningful plan for your industry. What do you think some of the important considerations would be if the government got serious about embarking on real industrial planning in your industry?

Mr. Mathew Wilson: Yes, we should have an advanced manufacturing strategy for the country. Call it an "industrial strategy" or anything you want, it doesn't matter. Certainly, the CME, working with our colleagues at CSPA and the Cement Association, has called for years on the federal and provincial governments to implement advanced manufacturing strategies for the country.

However, the issue about supply chains is very complicated. We don't even understand what we produce in Canada. A year ago, when we were trying to figure out who makes medical devices in the country, it was a good indication that we had a very limited idea of what actually is produced in this country. We had to map our own supply chains first.

Steel, cement, and now maybe bigger sectors might know, but generally speaking, our supply chains and their capabilities are still not very well understood in this country.

Mr. Daniel Blaikie: That would be one of the other benefits of embarking on this more focused industrial policy. Some of that groundwork is done, so that in the event of a crisis where, suddenly, particular supply chains matter more than others, we actually have a better handle on what we produce here and how we can modify production to meet spontaneous needs.

Mr. Mathew Wilson: The ability of companies to transition to making other things is critical to modern manufacturing. That's what a lot of manufacturers were able to do during this crisis, but we struggled to do it, because we didn't understand what the capabilities of the companies were in the first place. So, absolutely....

The Chair: Thank you again to all of the witnesses for taking this time on a Thursday night to enlighten us. We've had some great back and forth, great discussions and questions.

I look forward to seeing you all at the next meeting. Have a great weekend, everybody.

The meeting is adjourned.

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