

Parliamentary Standing Committee on International Trade

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Thank you, Madam Chair. Good Morning. It is my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters, and our association's 2,500 direct members, to support Bill C-4, An Act to implement the Agreement between Canada, the United States of America and the United Mexican States (CUSMA).

Before I begin, I would like to thank the efforts of the Prime Minister, Deputy Prime Minister Freeland, Chief Negotiator Verheul, and all their staff for negotiating CUSMA. Being part of the process, we at Canadian Manufacturers & Exporters (CME) understand how difficult these negotiations were. It was crucial to achieve a positive outcome for Canadian business and all their employees, and we did just that.

As such, CME fully supports this Bill and we urge the government, and all parliamentarians, to ratify CUSMA as soon as possible.

My goal today is simple. I want to explain why free trade is important to manufacturing and how CUSMA will improve on NAFTA.

So, why is free-trade so important?

Simply put, North American trade is the basis upon which Canada's manufacturing industry is built. Our sector alone employs 1.7 million employees in every community across the country. In 2019, we shipped \$455 billion of merchandise exports to the US and Mexico. This represented 77 per cent of our total exports to all countries that year. 2/3 of these exports, worth \$305B, were manufactured goods. The numbers speak for themselves.

You see, Canadian, American, and Mexican manufacturers don't really compete with one another- rather, we build stuff together. A continental manufacturing ecosystem bound together by integrated supply chains. North American free trade is therefore a pillar of our national economy. It is why the manufacturing sector produces the bulk of Canada's exports. It is how the sector can compete against the rest of the world.

This is why CUSMA, and NAFTA before it, is so important. Without this agreement, and without integrated production with the US and Mexico, we simply would not have the scale necessary to be a global player. Canada's ability to take advantage of any other trade deal is only possible if North America continues to manufacture together.

So, how does CUSMA improve on NAFTA?

CUSMA preserves the integrated manufacturing operations that allows the relative free flow of goods and services between our three markets. Going into the negotiations, our members made it clear that the primary objective of Canada must be to do no harm to this integrated manufacturing economy. CUSMA accomplished this.

In fact, CUSMA preserves many of the key elements of the original NAFTA which were targets of the US for elimination. This includes dispute settlement mechanisms and the business traveler visa exemptions. This was by no means assured at the outset, But there they are, alive and well.

Importantly, CUSMA updates critical areas of NAFTA, dragging it into the 21st century. This alone will significantly enhance North American trade. For example, the new Digital Trade Chapter recognizes that the internet is a thing and establishes a framework for e-commerce in North America. The Customs Administration and Trade Facilitation Chapter will also go a long way in modernizing borders throughout North America, enabling the free flow of goods.

We were disappointed that we could not open more opportunities for Canadian companies to tap into the US government procurement market. This result is not surprising given the strong opposition the US put up. Nevertheless, we would encourage the government to continue to work bilaterally with the US on improving access for Canadian firms in this lucrative area.

And lastly, Chapter 26, the new Competitiveness Chapter has not garnered a lot of attention, but it is in our estimation one of the biggest accomplishments of CUSMA. Why? Well, it sets up a framework for three sovereign countries to become a unified trade block. It will do this by promoting better coordination and integration of our manufacturing industries so that we can tackle global trade challenges together. This is a significant accomplishment.

We have consistently urged the government to start work on implementing parts of the agreement now, like Chapter 26, that do not require legal changes. We should be looking to make early progress by establishing committees for North American competitiveness and good regulatory practices as outlined in



the agreement. This would show Canadian leadership, signal to our other partners that we take CUSMA seriously, and, let us to hit the ground running once we ratify the agreement.

Once CUSMA is the law of the land, we need to pivot towards helping manufacturers and exporters take advantage of the new deal. The US is, and will remain, our largest export market. We must leverage the excellent government resources, like the Trade Commissioner Service and Export Development Canada, to help companies transition from NAFTA to CUSMA. This is how government can play a positive role in helping companies capitalize on CUSMA once in force.

In the final analysis, CUSMA is a good deal for Canada, and given the very challenging negotiations, an impressive achievement. We urge all parties to pass this Bill as quickly as possible. If you do that, I can assure you that Canadian manufacturers will return the favour by creating prosperity for all Canadians for years to come.

Thank you and I look forward to the discussion.