

Government Response to the Report of the Standing Committee on International Trade: *Canada-United States Relationship and its Impacts on the Electric Vehicle, and Softwood Lumber and Other Sectors*

INTRODUCTION

The Government of Canada is pleased to respond to the Report of the House of Commons Standing Committee on International Trade, entitled: *Canada-United States Relationship and its Impacts on the Electric Vehicle, and Softwood Lumber and Other Sectors*.

The Government of Canada appreciates the work of the Committee and welcomes its analysis, views and recommendations, based on the consultations that the Committee undertook with a wide range of stakeholders. The study identifies the priorities of Canada stakeholders with an interest in the Canada-U.S. relationship and the electric vehicle and softwood lumber sectors, and it recommends Government of Canada actions. The response is set out below by individual recommendation.

The Government would like to thank the Committee for its report and for its continued interest in trade and investment issues.

Recommendation 1

That the Government of Canada develop additional policies and implement further measures aimed at electrifying transportation in Canada. When appropriate, these efforts should include collaboration with governments in Canada, the United States and Mexico, as well as other relevant stakeholders. Moreover, with the goal of standardization, the Government should continue working with other governments in Canada to enhance the country's network of electric vehicle charging infrastructure.

Response: The Government supports this recommendation. The Government of Canada is committed to reducing emissions from the transportation sector through greater uptake of electrified and zero-emission transport options. The Government has a broad suite of policy measures aimed at increasing the adoption of electric vehicles across all modes of transportation that were developed through consultations with key stakeholders.

Electrifying Canada's transportation sector is critical to reducing Canada's emissions, which is why the government is developing zero-emission vehicle (ZEV) sales regulations to ensure 100 percent of new light-duty vehicles by 2035, and 100 percent new medium-and heavy-duty vehicle sales by 2040 (where feasible) are zero-emission vehicles.

These regulations are backed by significant investments aimed at increasing demand for zero-emission vehicles such as \$2.3 billion in purchase incentives for light-duty zero-emission vehicles and \$547.5 million in purchase incentives for medium-and heavy-duty zero-emission vehicles. It also includes \$1.2 billion to support the installation of over 85,000 charging and hydrogen refueling stations across Canada, and \$76 million to support demonstrations of innovative next-generation charging and hydrogen

refueling infrastructures. Additionally, the Government is coordinating its zero-emission transit investments with the Canada Infrastructure Bank, which has committed to invest \$1.5 billion in zero emission buses as part of its three-year Growth Plan. The Government of Canada is also actively exploring opportunities for increased electrification in areas such as medium and heavy-duty freight vehicles, marine and rail transportation, through innovation projects and through collaboration with industry partners. It is also advancing the high frequency rail project which, when complete, will deliver an enhanced passenger experience that would provide more frequent, faster and more reliable service on a mostly electrified network in the heavily used Toronto-Quebec corridor.

However, there is still more that will need to be done to ensure that all Canadians have access to clean transportation. The Government of Canada is continually assessing new options to accelerate the transition to electrified transportation and will continue to consult and collaborate with key stakeholders and governments across North America including Canadian provinces and territories to ensure a standardized and unified approach.

Recommendation 2

That the Government of Canada undertake consultations about the production of electric vehicles, batteries and automotive parts, as well as the development of related supply chains. In particular, the Government should consult other governments in Canada, consumers, and representatives of organized labour groups and business associations in the following sectors: electric vehicles, batteries, automotive parts and critical minerals. Prior to undertaking consultations, the Government should consider issuing a white paper on the topic of the electrification of transportation in Canada, with a particular focus on goods and services produced and exported by Canada's electric vehicle and other related sectors.

Response: The Government agrees with this recommendation. Ensuring that the automotive sector, one of Canada's largest manufacturing sectors, as well as the emerging battery ecosystem, are both competitive and positioned for success has and remains an ongoing priority. To that end, the Government has pulled together significant and ongoing input into the electrification of transportation and how it supports the Government's overall Emission Reductions Plan.

As the cadence of electrification has accelerated, the Government has actively engaged industry, including automakers and suppliers, labour, business associations, non-governmental organizations and consumer groups on a myriad of policy and programmatic consultations. These have informed the current suite of measures in place with further consultations planned.

With respect to electric vehicles and consumer adoption, beginning in 2017, the Government convened an Expert Advisory group drawn from industry, academia and civil society to advise the Government on consumer adoption, supply and production, charging infrastructure and awareness of electric vehicles. The conclusions drawn were incorporated into the current design of consumer incentives, charging infrastructure investments and the necessary investments needed in the sector. Subsequently, the Government commissioned consultations on the battery value chain and how Canada can be globally competitive across the value chain using a "Mines to Mobility" approach to policy and investment activities to expand the sector, resulting in a "What We Heard" report, and helping to inform *The*

Canadian Critical Minerals Strategy.

The Government routinely consults with industry, non-governmental organizations, and consumer groups and arranges ongoing bilateral discussions on zero-emission vehicle policy development. As zero-emission vehicles grow in number and Canada's automotive sector further pivots to low- and zero-emission production, the Government of Canada is launching a new Zero-Emission Vehicle Council aimed at bringing together parties to identify, discuss, and work on solutions to further accelerate the transition to zero-emission vehicles. This council will help to assess progress towards Canada's zero-emission vehicle sales targets and provide advice for strengthening existing zero-emission vehicle policies or identifying additional measures that could be pursued.

The development of *The Canadian Critical Minerals Strategy* was informed by a series of engagement and consultation processes. The Government conducted numerous engagements throughout the development of the Strategy, including a series of ministerial industry roundtables, as well as bilateral and multilateral engagements with Indigenous, provincial and territorial partners. The Government also released a discussion paper that was open for public comment between June 14 and September 16, 2022. It attracted more than 120 submissions including contributions from provincial, territorial and Indigenous partners, companies and industry associations including representatives from the automotive sector and other critical mineral value chains, academia, labour and environmental organizations, as well as the general public. *The Canadian Critical Minerals Strategy* builds on the vision, principles, and strategic directions of *The Canadian Minerals and Metals Plan*, which was developed in collaboration with provinces and territories and founded on engagement with industry, Indigenous business representatives, and other stakeholders.

Subsequently, in addition to regular engagements with stakeholders from across the battery sector, the Government of Canada co-organized with Accelerate-ZEV, a multi-stakeholder supply chain alliance, an industry-wide consultation in September 2022 in Toronto. The purpose of this consultation was to consult with stakeholders about measuring success (with respect to federal investments in the battery ecosystem) and identifying potential new areas to prioritize for action.

Recommendation 3

That the Government of Canada considers appointing an advisor on the electrification of transportation in Canada. This advisor should work with all relevant stakeholders affected by pertinent federal policies and measures, including those involved in the research, development, innovation and production of electric batteries and automotive parts, as well as electric vehicles, buses, trucks, bikes and other methods of land-based transportation.

Response: The Government supports this recommendation. Taking a "Mines to Mobility" approach, the Government of Canada has undertaken significant consultations with stakeholders which are underpinned by the Government's Emission Reductions Plan, a plan that encompasses all transport modes and how they can contribute to greenhouse gas reductions via electrification.

The idea of an advisor has precedents. In 2015, the Governments of Canada and Ontario, together with the industry-led Canadian Automotive Partnership Council, established a committee to promote

Canada's automotive sector in an increasingly competitive marketplace. As part of this, an "Automotive Advisor" was appointed to chair the committee and provide strategic advice on investment attraction and long-term success for the sector. The Advisor's work culminated in a final report entitled "Drive to Win" which was presented in 2018 and has informed government actions to date.

As zero-emission vehicles become more commonplace, both existing barriers to consumer adoption and emerging issues will need to be assessed, and may require adjusting the current suite of federal measures. The Government has heard clearly that a holistic stakeholder consultation approach is needed to collectively advise and discuss issues. To that end, the Government of Canada is launching a new Zero-Emission Vehicle Council. Similar to the role of the recommended advisor, this council will help to assess progress towards Canada's zero-emission vehicle sales targets and provide advice for strengthening existing zero-emission vehicle policies or identifying additional measures that could be pursued.

Recommendation 4

That the Government of Canada ensures the existence of policies and measures that will lead to a high level of production of electric vehicles, batteries and automotive parts, as well as the mining of critical minerals. Moreover, the Government should ensure the existence of reliable supply chains concerning these products. Finally, the Government should take the following two actions expeditiously: implement the forthcoming federal critical minerals strategy; and add phosphate to Canada's list of critical minerals.

Response: The Government supports this recommendation. The Government is committed to the ongoing success of Canada's automotive industry and to the production of electric vehicles, batteries, automotive parts and critical minerals. The policies and measures outlined in the Climate Action Plan are designed to promote the development and adoption of these technologies in Canada.

The shift to electric vehicle production is a large-scale and high-risk undertaking for the automotive industry and for all levels of government. New investments will result in a complete retooling of existing assembly plants and require considerable resources at a time when the industry continues to deal with supply chain challenges. The Government of Canada engages regularly with members from a wide variety of areas of the automotive and battery supply chains as part of the Government's work to monitor and invest in the sector's transition to electrification.

The new generation of electric vehicles will require a massive supply of batteries. Canada is uniquely situated as one of the only countries with access to the key critical materials necessary for the production of EV batteries, combined with clean and abundant energy. Over the last three years, Canada has had success in attracting major new investments into the battery supply chain, particularly for the production of cathode active materials, a high-value component of batteries. Battery investments are large scale, generational investments which will boost the Canadian economy and improve the environment for decades to come, due to the reduction in greenhouse gases associated with the switch to electric vehicles. As Canada's automotive and battery industries seek to accelerate and capitalize on the electrification of transportation, the Strategic Innovation Fund remains well

positioned to serve as a major vehicle by which the Government of Canada invests in the future of both of these sectors. Ongoing investments into decarbonizing Canada's electricity system will continue to enhance the value proposition for investing in Canada, as downstream vehicle manufacturers increasingly seek to decarbonize their supply chains.

Budget 2022 proposed to provide up to \$1 billion over six years, on a cash basis, starting in 2024-25, for the Strategic Innovation Fund. Combined with \$500 million drawn from existing program funding, this will provide \$1.5 billion in targeted support towards critical minerals projects, with prioritization given to manufacturing, processing, and recycling applications with the goal to advance the development of value chains that enable the transition towards a green and digitalized economy. Building capacity for midstream value-added processing of battery metals will support greater vertical integration of the domestic EV value chain, decreasing supply risk and import reliance. In addition, new investments in technology and infrastructure for end-of-life battery recycling will help secure greater long-term sustainability in Canada's EV supply chains.

As evidence of these policies in action, since 2018, the automotive and battery sectors have invested nearly \$16 billion in Canada's EV and battery space, bolstered by more than \$2 billion of investment by the Government. Announced projects range from battery materials investments such as those made by Umicore, BASF, and GM's joint venture with POSCO Chemical; battery manufacturing investments such as NextStar Energy; and, the retooling of automotive manufacturing sites to build battery electric vehicles, such as Ford's Oakville Assembly, GM's CAMI Assembly, and Stellantis' Brampton and Windsor facilities.

In parallel to seeking foreign investment to establish domestic battery manufacturing supply chains, a number of federal organizations are investing in the development of Canada's battery innovation ecosystem. This includes the National Sciences and Engineering Research Council of Canada, which has funded Canada Research Chair positions, such as the one at Dalhousie University that is co-funded by Tesla and held by world-leading innovator Dr. Jeff Dahn. It also includes funding by Sustainable Development Technology Canada, Export Development Canada and the Business Development Bank of Canada to support a diverse array of Canadian companies to commercialize battery-related innovations, such as the disruptive approach to producing cathode active materials being developed by Nano One.

Budget 2021 provided \$9.6 million to create a Critical Minerals Centre of Excellence at Natural Resources Canada, and \$47.7 million for federal research and development (R&D) to advance critical mineral processing and battery precursors and related materials engineering. The R&D program was initially rolled out in July 2021, with a call- for critical mineral R&D proposals from government, followed by a call for proposals from industry in May 2022.

Budget 2022 included up to \$3.8 billion over eight years to implement *The Canadian Critical Minerals Strategy*, which was officially launched on December 9, 2022. The proposed funding would support the development of domestic critical mineral value chains, from geoscience, R&D and exploration activities to mineral processing, material manufacturing and recycling applications. Budget 2022 also included funding to advance economic reconciliation and global partnerships, with targeted allocations of at least \$25 million from Indigenous Natural Resource Partnerships Program to support Indigenous participation in *The Canadian Critical Minerals Strategy* through early engagement and community capacity-building. The objective of *The Canadian Critical Minerals Strategy* is to enhance the resiliency of critical mineral

value chains for the green and digital economy. Through the Strategy, there is also an opportunity to strengthen critical minerals along the value chain in Canada and with like-minded international partners. Complementing the Strategy, the Government of Canada also provides support for mineral exploration through the Mineral Exploration Tax Credit, a 15 per cent non-refundable tax credit on eligible exploration expenses that has been successful in helping exploration companies raise equity funds. In addition, Budget 2022 proposed the introduction of a new 30 per cent Critical Mineral Exploration Tax Credit for targeted critical minerals (i.e., nickel, lithium, cobalt, graphite, copper, rare earths elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, and uranium). It also included \$15 billion for the Canada Growth Fund, a new government investment fund to accelerate the investment of private capital into decarbonization and clean technology projects, while promoting diversification of Canada's economy, helping meet Canada's climate targets and strengthening both Canada's economic resilience and capacity.

Phosphate is not currently on Canada's critical minerals list. Canada's list of 31 minerals, as well as the federal government's priority value chains, will be reviewed and updated every three years. The new list will be developed in consultation with provincial, territorial, and industry experts. To be deemed "critical" in Canada, a mineral must be:

- essential to Canada's economic security and its supply is threatened; or,
- required for our national transition to a low-carbon economy; or
- a sustainable source of highly strategic critical minerals for its partners and allies.

Recommendation 5

That the Government of Canada—as required—continue with, and enhance, its advocacy efforts in the United States concerning any potential federal tax credits for U.S.-produced plug-in electric vehicles or other measures that could negatively affect Canadian firms and employees. This advocacy should occur alongside similar efforts by relevant stakeholders, including other governments in Canada, as well as Canadian firms and employees and their representatives. As well, if the United States or Mexico contemplates or implements actions that could disadvantage Canada's electric vehicle and related sectors, the Government should consider taking strong actions that would support Canada's electric vehicle and battery producers and employees.

Response: The Government supports this recommendation. Advocacy and engagement are important elements of Canada's approach to addressing trade-related issues with the United States. The Government of Canada has a proven track record supporting advocacy efforts when challenges arise. This includes the recent Team Canada advocacy campaign concerning U.S. federal tax credits for purchases of clean vehicles, including electric vehicles. The significant Team Canada advocacy campaign included engagement at all levels and helped ensure that Canadian vehicles, batteries and critical minerals are eligible under the U.S. Clean Vehicle Credit, which was a major component of the recently passed *Inflation Reduction Act*. Canada's diplomatic network will continue to monitor potential measures in the U.S. and Mexico that could negatively affect Canadian firms and employees, including measures that could disadvantage Canada's electric vehicle and related sectors. The Government of

Canada will not hesitate to stand up for Canadian interests, including taking strong actions in support of Canadian industry and workers. In advancing Canada's interests, the Government will continue to take a Team Canada approach that includes working alongside relevant stakeholders such as representatives from provinces and territories, municipalities, businesses, industry associations, labour groups and others.

Canada recognizes the need to stay competitive in an increasingly challenging global economy, where assertive industrial policies are resurging globally. It is critical that Canada attract or retain investment in key sectors that are necessary for the transition to industries of the future, and this includes the need to ensure that Canada remains competitive within North America in light of the U.S. *Inflation Reduction Act*. That is why the Government is already investing in the future of the auto industry, which will not only secure jobs but also fight climate change and building an economy that works for generations to come. In the last year alone, these significant investments have included over \$130 million to help Honda Canada retool its manufacturing operations in Allison, Ontario, and close to \$260 million to assist General Motors of Canada to build 50,000 electric vehicles per year by 2025 in Oshawa, Ontario. In the event that the U.S. or Mexico contemplates or implements further actions that could disadvantage Canada's electric vehicle, battery and related sectors, the Government will consider steps to support producers and employees. The Government's continued actions could potentially include sustained advocacy in the U.S. or Mexico, further investments in Canada's own net-zero economy, or other measures that would help keep the North American playing field level for Canadian workers.

Recommendation 6

That the Government of Canada considers taking strong actions designed to align current federal incentives for the purchase of Canadian-produced electric vehicles with comparable incentives available in the United States. As well, the Government of Canada should cooperate with the Government of the United States to ensure that current and proposed federal incentives in the two countries for the production and purchase of electric vehicles are consistent with the requirements of the Canada–United States–Mexico Agreement and the World Trade Organization.

Response: The Government supports this recommendation. The Government of Canada continues to analyze the potential implications of the U.S. tax credit for electric vehicles on zero-emission vehicle adoption in Canada, including the potential impacts on Canadian supply of these cleaner vehicles. The Government's incentives for light-, medium- and heavy-duty zero-emission vehicles do not include requirements regarding the location of the vehicles' assembly. Officials are assessing how the requirements of the U.S. tax credit, such as the critical mineral, battery and North American assembly requirements, will affect the eligibility of Canadian vehicles for these incentives in the United States. This analysis and collaboration will help inform future considerations of the Government of Canada's incentive programs, including ensuring that Canada's trade obligations are respected.

Moreover, the Government of Canada is also working closely with the U.S. Government under the joint statement by Transport Canada and the U.S. Department of Transportation, as well as through other fora, to identify areas for greater collaboration with respect to zero-emission vehicles.

Recommendation 7

That the Government of Canada, in its efforts to resolve the current softwood lumber trade dispute between Canada and the United States, prioritize outcomes that meet two objectives: ensure and enhance access by softwood lumber producers in Canada to the U.S. market; and return anti-dumping and countervailing duty amounts collected by the United States to the producers that have paid them. These efforts should be informed by input from other governments in Canada, as well as by firms, employees and their representatives.

Response: The Government of Canada supports this recommendation and is committed to resolving the softwood lumber trade dispute with the U.S. so as to ensure access to the U.S. market for Canadian softwood lumber products. Canada firmly believes that a negotiated resolution is the best outcome for all parties involved. Canada has repeatedly conveyed to the U.S., at all levels including the Prime Minister, ministers and officials, its willingness to find a durable resolution to the dispute.

U.S. duties on softwood lumber are unjustified, cause undue harm to Canadian workers and communities, and must be returned to Canadian softwood exporters expeditiously. To this end, the Government of Canada continues to advance a Team Canada approach, working closely with provinces and territories, industry, Indigenous partners and other stakeholders to ensure that we are ready to negotiate a mutually acceptable and long-term, agreement. Canada is also vigorously pursuing legal challenges of the unfair U.S. duties under the North American Free Trade Agreement (Chapter 19), the Canadian-United States-Mexico Agreement (Chapter 10), and at the World Trade Organization. Canada has been successful in litigation in the past and we expect ultimately to prevail again.

Recommendation 8

That the Government of Canada works with other governments in Canada with the goal of ensuring that firms in the domestic softwood lumber sector can access lands from which timber can be harvested.

Response: The Government of Canada agrees with this recommendation. Canada's provinces and territories are responsible for the management of natural resources, including forests. Jurisdictionally, provinces and territories manage approximately 90 per cent of forests across Canada and determine sustainable harvest levels. They have exclusive powers to develop and enforce their legislation, standards, and programs to ensure the development, conservation and management of forest resources. These laws, regulations and policies govern various themes: planning land use, forest management, public consultations, Indigenous participation, protected areas, licensing, allocation of wood, etc. While their laws may differ, provinces and territories are guided by sustainable forest management, underpinned by robust science.

The Government of Canada is responsible for international trade in forest products and the management of federal lands and federal parks. It is also responsible for Indigenous relations and conducting forestry science. Most federal forest lands are not subject to harvesting. As such, the Government of Canada works in partnership with the provinces and territories to bolster innovation, sustainable jobs and

communities and advance natural climate solutions and deliver science and knowledge to help advance sustainable forest management and resilient forest ecosystems.

Currently, approximately 9.1 per cent of forest tenures across Canada are Indigenous-held, and the amount of Indigenous-held tenure has consistently grown in the past decade. The Government of Canada is pursuing partnership opportunities with Indigenous governments and communities, and working to strengthen nation-to-nation relationships and advance greater participation of Indigenous peoples in the forest sector.

The changing climate is increasing the risk of natural forest disturbances such as wildfire and pests, which can lead to disturbances in fibre supply. As a result, the Government of Canada has established the Wildfire Canada Strategic Network, which focuses on research priorities that will strengthen Canada's ability to prevent, prepare, respond, and recover from wildfire events.

Similarly, Natural Resources Canada's ongoing forest pest research addresses plant health protection and sustainable forest management priorities, including urban forest health. The Government of Canada has also helped with prevention or response of exceptional risks from pest outbreaks. For example, the recent renewal of the Spruce Budworm Early Intervention Strategy is providing up to \$60.9 million over four years starting in 2022-23 to prevent the spread of spruce budworm. Federal funding of \$68.4 million over three years is helping control, research and mitigate the impacts of the mountain pine beetle on Canada's forests.

The Canadian Council of Forest Ministers (CCFM) is a key forum for governments across Canada to discuss timber availability and accessibility. In 2022, CCFM Ministers endorsed a *Renewed Bioeconomy Framework* that recognizes challenges to consistent, predictable, and competitively priced fibre supply. They committed to responsive action, including undertaking mapping and modeling work to manage costs and increase utilization. These outcomes could yield more value per volume of wood harvested.

Recommendation 9

That the Government of Canada collaborate with other governments in Canada, as well as with firms, employees and their representatives, with the aim of diversifying both the softwood lumber products that are exported from Canada and the foreign markets to which they are exported. As part of its diversification efforts, the Government should rely on the efforts of the Trade Commissioner Service's network of trade representatives located throughout the world. Moreover, when negotiating new or updating existing trade agreements, the Government should consider the forestry sector to be a key sector in Canada.

Response: The Government of Canada supports this recommendation. To date, the Government of Canada has been successful in developing new export markets and transforming markets to introduce new end-uses for products, such as increasing the acceptance of engineered wood products in construction. Through partnerships with industry and other levels of government, the Government of Canada seeks to continue advancing the adaptation of the forest sector for an increasingly globalized and climate-focused marketplace, while capitalizing on emerging opportunities, such as the bioeconomy.

For example, through its Expanding Market Opportunities program, the Government of Canada has supported both market access and market development initiatives for Canadian forest products as well as in-market industry representation through a network of offshore offices. This work is diverse and often requires highly specialized and technical representatives engaging in sustained, in-market activities that:

- increase the knowledge of Canadian forest products and wood construction systems among buyers, builders, architects, and authorities in diverse markets;
- promote the Canadian forest sector's environmental performance to address market access and regulatory issues that could limit trade; and
- encourage the use of Canadian wood in non-traditional construction such as mid-rise and non-residential buildings.

These initiatives are complemented by Global Affairs Canada's Trade Commissioner Service (TCS), which provides expertise through its network of trade representatives, to build a stronger, more specialized approach for Canadian forest products internationally. In addition, this work also complements diverse support provided by other federal organizations such as the National Research Council, Export Development Canada, and the regional development agencies, as well as by the provinces. The Government of Canada accepts the proposed recommendation to leverage the TCS to diversify export markets for Canadian softwood lumber products. The TCS staffs approximately 14 full-time equivalent positions through 40 missions around the globe responsible for forest product exports.

Global Affairs Canada directly supports forest product innovators in securing technology partners, foreign investors and new market opportunities for next-generation forest products, including bioproducts, through the CanExport programs for innovation and for small and medium-sized enterprises (SMEs). Joint efforts made over the past ten years with innovative SMEs are showing promising results, with burgeoning market uptake for innovative Canadian wood-based bio-products in a wealth of unconventional applications in various industries such as the automotive, chemical, food, cosmetic and medical industries. The CanExport program for SMEs has supported 56 projects since 2016 for a total contribution of \$1,642,640 as of August 12, 2022.

Under the CanExport Innovation program, the TCS provided assistance to Canadian forestry organizations, including FP-Innovations and Bioindustrial Innovation Canada, to explore innovation partnerships opportunities in Europe and Asia for new wood bio-based products. Since 2018-2019, a total of \$49,417.75 in funding has been allocated under the CanExport Innovation program.

In all of its trade negotiations, the Government of Canada will continue to prioritize sectors of key export interest to Canada, including the forest sector.

Recommendation 10

That the Government of Canada—on an ongoing basis—assesses whether legislation proposed in countries that are trading partners, including for softwood lumber products, is consistent with those countries' trade obligations in relation to Canada.

Response: The Government supports this recommendation. Trade agreements are integral to Canada's global economic competitiveness. Canada's vast network of trade agreements currently includes 15 Free Trade Agreements (FTAs) with 51 countries accounting for 61 per cent of the world's GDP. These agreements provide Canadian companies preferred access to diverse markets all over the world, facilitate the development of diversified and resilient supply chains, and help establish a transparent and predictable rules-based trading system. Canada is also a member of the World Trade Organization (WTO), which sets out rules governing trade between 164 members, and a co-signatory to a number of plurilateral agreements, applying to a subset of WTO members which have accepted trade obligations on a specific subject.

The Government of Canada continuously monitors trading partners' legislation, regulations, and proposed measures to assess any potential impact on Canada's economic interests and to determine whether they comply with relevant international trade obligations, including for softwood lumber products. The Government of Canada's network of over 260 offices, including embassies, high commissions, consulates, and trade offices in over 150 countries, are invaluable in collecting this critical information.

In addition, the WTO and Canada's FTAs include notification requirements that oblige our trading partners to notify us in advance of implementing measures that may have an impact on trade. Canada also benefits from mechanisms built into trade agreements that facilitate the exchange of information with FTA partners about any trade policy-related issue or concern that either Party wishes to discuss. This includes regular meetings of FTA administrative oversight bodies and various specialized committees focusing on specific areas of trade. The WTO provides forums such as Councils, Committees, and the Trade Policy Review Mechanism, where members can monitor and seek clarification on trade policies or measures adopted by member countries that affect trade. Canada has a longstanding policy of participating in WTO trade policy reviews of all members.

Canadian companies can also report discriminatory practices and regulations employed by Canada's trading partners to Global Affairs Canada via a dedicated mailbox and the Department's "Report a Trade Barrier" webpage.

If monitoring identifies a potential concern, Global Affairs Canada works with experts across the Government of Canada and the provinces and territories, as well as affected stakeholders, industries and business associations, to investigate and better understand the problem, and it engages with the trading partner to try to resolve the situation.

Recommendation 11

That the Government of Canada makes substantial investments in existing and new infrastructure to support the efficient and cost-effective transportation of softwood lumber products from Canada to foreign markets. As well, the Government should implement measures to enhance the ability of firms to supply the global demand for softwood lumber products from Canada in a timely and competitive manner.

Response: The Government supports the Committee's recommendation. With respect to making investments in existing and new infrastructure to support the efficient and cost-effective transportation of softwood lumber products from Canada to foreign markets, the Government continues to invest in transportation supply chain infrastructure through the National Trade Corridors Fund (NTCF) to ensure the fluid movement of goods within Canada and with its trading partners. Launched in 2017, the \$4.6 billion NTCF provides federal funding towards Canadian trade-enabling transportation-related infrastructure projects, including those that improve the flow of goods and people in Canada, increase the flow of trade in and out of Canada, and support the development of a transportation system that can withstand the effects of climate change and better adapt to new technologies and innovation. Industry partners, such as firms involved with the transportation of softwood lumber from Canada to foreign markets, are eligible to apply for funding under the NTCF. As of December 2022, the program has targeted \$2.8 billion in federal funding to over 130 projects, creating \$5.9 billion in total infrastructure investments in Canada's trade corridors and gateways.

Additionally, the 2022 Fall Economic Statement highlighted that the Government remains committed to developing a National Supply Chain Strategy, with further details to be announced in Budget 2023. The strategy will complement and build on these investments to improve the efficiency and resiliency of Canada's transportation supply chain.

Regarding implementing measures to enhance the ability of firms to supply the global demand for softwood lumber products from Canada in a timely and competitive manner, the Government of Canada will continue to work towards increasing and diversifying market opportunities beyond Canada's borders. For example, through its Expanding Market Opportunities program, the Government of Canada has provided support for market development initiatives and in-market industry representation for Canadian forest products through a network of offshore offices. As part of this work, the Government of Canada has funded extensive technical research and training as well as other market access and market development activities in support of codes and standards to facilitate expanding use of wood products in the domestic and international construction markets.

Furthermore, the Government of Canada announced the implementation of the National Occupational Classification (NOC) 2021 for immigration programs managed under the Express Entry system, which should also help enhance the ability to supply the global demand for Canadian forest products in a timely manner. Using the new NOC categories will allow Canada to bring in global talent in high-demand sectors like transportation. Among the 16 occupations now included in Express Entry are transport truck drivers, which will help address labour shortages that affect Canadian industry, including in the forest sector.