

June 20, 2024

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Ministers Champagne, Ng, O'Regan,

Re: CUSMA six-year review

Like millions of Canadians, tens of thousands of Unifor members work in trade-dependent industries and are profoundly affected by decisions affecting trade policy. Canada's trade policy is an integral component of our broader industrial strategy. Unfortunately, since the inception of NAFTA and only until recently, Canada has exhibited a lack of ambition in its industrial development. This oversight has resulted in a series of ill-advised free trade agreements that have largely ignored and dismissed the voices and concerns of Canadian workers.

The renegotiation of NAFTA marked a pivotal shift. The federal government deserves credit, not for salvaging a trade deal that caused significant harm to workers, but for championing a bold, progressive economic vision for Canada, prioritizing workers' voices in its negotiating strategy. That approach faced significant resistance, including from U.S. negotiators and lawmakers. Nevertheless, it was necessary in order to help reconcile the damage that unregulated, unchecked trade has had on working people and a refreshing departure from previous trade approaches.

The forthcoming six-year review of the CUSMA is an opportunity to take stock of the agreement's outcomes and position our country to advocate for necessary changes. U.S. officials have publicly warned against complacency in this review, signaling a desire to renegotiate aspects of the deal. Canada must be prepared to defend against U.S. efforts to erode our critical supply-managed industries, vital cultural and official language protections, digital trade rules, and a raft of other important national policies. We know the USTR has initiated consultations on CUSMA, including auto trade. As I stated to the Standing Committee on International Trade recently, Canada cannot afford to enter these discussions on the defensive.

Unifor is encouraged by the work being done by your ministries, in conjunction with civil society stakeholders, reminding American lawmakers that our industrial economies have grown to be highly interdependent. At the same time, Canada must prepare to articulate its own concerns with the CUSMA and improvements to our trinational trading relationship, and I wish to highlight some key areas of concern for Unifor.

First, the softwood lumber dispute, now in its eighth year, continues to inflict unjust economic hardship on Canadian workers and firms. This sector is already facing significant challenges, including mill closures and job losses, and the long-standing (and illegal) U.S.-imposed trade penalties are exacerbating the situation. It is imperative these tariffs are removed or that Canada consider appropriate, and overdue, retaliatory measures.

Second, in the aluminum sector, there is a need for CUSMA parties to enhance the monitoring of imports that circumvent and undermine our decarbonization efforts. Aluminum is a strategic metal and should benefit from processing requirements like those applied to steel under CUSMA's automotive rules of origin.

Third, on labour rights, CUSMA's novel Rapid Response Mechanism has been effective in addressing labour rights violations and revitalizing democratic trade unions in Mexico. However, this mechanism must extend to workplaces in the U.S. where worker and trade union rights are consistently undermined – in some cases, no different than what occurs in Mexico.

For instance, public reports of a recent union vote at the Mercedes assembly facility in Vance, Alabama was marred by threats and intimidation toward workers, like the rights violations witnessed in Mexican car factories and subject to trade dispute. It is within Canada's right to investigate the trade-distorting behavior by Mercedes and U.S. lawmakers and industry associations in Alabama, especially given our agreement to supply Mercedes with critical minerals such as lithium and cobalt to build new electric vehicles. Furthermore, Canada should signal its intent to revisit in the CUSMA review an original proposal that deems U.S. "Right to Work" laws a violation of labour right under the CUSMA Labour Chapter.

In the auto sector, Canada has an opportunity to align its trade and industrial strategies. The Labour Value Content rules within the automotive rules of origin are set at sixteen (\$16) U.S. dollars per hour in 2020 and must be updated to account for inflationary pressures on wages. The steps by which governments and border officials take to enforce these Labour Value Content rules, and the identification of North American facilities that are not in compliance, must be made publicly available.

Further, the list of core automotive parts and their constituent sub-components used to deem vehicles as originating in North America, should be revised to reflect a wider range of EV and battery components including e-drive motors and drive units, processed materials for batteries (e.g. cathode active material), among others.

Additionally, Canada must discuss with the U.S. the possibility of raising its WTO tariff on light-duty vehicles from the current rate of 2.5%, which is proving insufficient to ensure compliance with CUSMA's complex rules of origin.

Lastly, and as you know, Canada must address the threat of Chinese EV imports, which are often subsidized through forced labour, excessive subsidies, and technology theft. We must be prepared to act in collaboration with the U.S. and Mexico to guard against unfair imports into North America.

Thank you for considering these concerns. We look forward to a constructive dialogue aimed at enhancing our trade policies for the benefit of all Canadians. I would be happy to further discuss these matters with you at your earliest convenience.

Sincerely,

Lana Payne
National President

cc. The Honourable Doug Ford, Premier of Ontario; Simon Kennedy, Deputy Minister, Innovation, Science and Economic Development Canada; Francis Bilodeau, Associate Deputy Minister, Innovation, Science and Economic Development Canada; Rob Stewart, Deputy Minister of International Trade; Paul Thompson, Deputy Minister of Employment and Social Development.

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