

Joint Submission to Global Affairs Canada on the 2026 Joint Review of the Canada-United States-Mexico Agreement (CUSMA)

October 31, 2024

A consortium including the Business Council of Alberta, Calgary Chamber of Commerce, Calgary Economic Development, Canadian Global Affairs Institute and the Canada West Foundation welcome the opportunity to jointly present a submission to strengthen and support Alberta and Western Canada in the Government of Canada's consultation on the first joint review of the Canada-United States-Mexico Agreement (CUSMA) in 2026.

Considerations for a Competitive North America

As the Government of Canada prepares for the 2026 joint review of CUSMA, we believe it is necessary to contribute to the review by providing opportunities for Canada, the United States and Mexico to work together to increase competitiveness and global positioning of North America. An important part of all considerations is regulatory harmonization across all nations. We appreciate the current federal government's commitment to this and urge all parties to continue its pursuit.

The considerations presented below are specific to Alberta's strengths and how we can leverage those strengths to create a competitive, strategically positioned North America in partnership with the United States and Mexico.

Energy Security and Green Energy Investment Collaboration: Exploration of further collaboration between Canada, the United States and Mexico to support new investment in renewable energies, including carbon capture, utilization and storage technology, hydrogen and nuclear.

Agriculture: This is an opportunity to consider trading other significant agriculture commodities that are not subject to supply management practices such as pulses, beef, wheat, and canola. This could open new market access for agricultural produce grown across Western Canada, which accounts for 90 per cent of the total agricultural crop area.

Integrated North American Supply Chains for Critical Minerals: To reduce dependency on China for critical minerals such as lithium and cobalt, further regional investment in critical minerals should be encouraged. There is an opportunity to use CUSMA to encourage the creation of integrated supply chains for critical minerals used in advanced technologies.

Rules of Origin: With Canada and the United States already imposing a 100 per cent tariff on Chinese EVs, there is opportunity to further harmonize regional content requirement for cars and

to cover the entire value chain including critical minerals, battery manufacturing and assembly. This would increase the competitiveness of North America EV makers and safeguard against Chinese imports flooding the markets. Furthermore, ensuring labour provisions are adhered to across all three nations may hinder Chinese firms looking to utilize subsidiaries in Mexico to access North American markets.

Background/Context

The value of free and fair trade across North America cannot be overstated. The upcoming joint review presents an invaluable opportunity to address concerns within the agreement and position Canada, the United States and Mexico strategically to maintain global competitiveness and productivity in face of challenges posed by China's geostrategic incursions.

Significant changes within all three countries, and beyond, since the 2018 signing of CUSMA make the upcoming joint review in 2026 challenging. Both the Democratic and Republican parties in the United States have expressed increasingly protectionist positions through tariff proposals and incentivizing 'Buy American' practices. Mexico has replaced China and Canada as the United States' top trading partner, and its importance has grown as an enabler of US plans to move production from China to North America. Mexico and its populist government also represent challenges at the CUSMA review table for Albertan energy and agricultural interests.

In addition to large scale commodity shipments by major companies, governments must also consider the impact on small and medium-sized enterprises, who contributed 42 per cent of Alberta's exports to the United States through 2022. For these SMEs, 80 per cent of their revenue from exports came from export to the United States¹. For our small and medium-sized enterprises to continue to succeed we must maintain Canada's competitive advantage in trade with the United States. With threats to regulations such as the de minimis threshold, Governments must work with small and medium sized enterprises to understand the impact of the upcoming CUSMA negotiations for businesses of all sizes.

Finally, China continues to distort and influence markets for key products by exporting cheap goods to North America. Recognizing these developments, the Government of Canada needs to position the 2026 joint review of CUSMA as an opportunity to create a trade agenda that can bolster the resilience of supply chains and improve the economic competitiveness of North America.

The importance of Western Canada in Trade Relations with the United States

Canada is an export dependent nation. Trade accounts for 67 per cent² of our GDP with one in six jobs in Canada directly linked to exports. Exports from Western Canada, including British Columbia, Alberta, Saskatchewan and Manitoba, totaled \$227.3 billion in 2023, comprising 41.5 per cent of Canada's total exports to the United States. Energy products make up the largest

¹ <https://ised-isde.canada.ca/site/sme-research-statistics/en/key-small-business-statistics/key-small-business-statistics-2023>

² <https://www.international.gc.ca/transparency-transparence/state-trade-commerce-international/2024.aspx?lang=eng>

portion of exports from Canada to the United States and over 85 per cent of Canada's commodity exports come from Western Canada.

Among the western provinces, Alberta is the largest provincial exporter to the United States in Western Canada with exports amounting to \$156.1 billion³, and accounting for 28.5 per cent of Canada's overall exports to the United States. With provincial exports to the United States making up a significant portion of Alberta's GDP in the last ten years (Figure 1) and the incredibly interconnected trading relationship between Alberta and the United States, the outcome of the joint review of CUSMA could be felt most in Alberta compared to other provinces.

Additionally, Alberta and Western Canada are a critical player in global food production. Alberta's agricultural exports, particularly wheat, beef, and canola, have consistently ranked among Canada's top export products. In 2023, out of Canada's \$6.6 billion meat and prepared meat products exported to the United States, Alberta accounted for over 50 per cent capitalizing on growing global demand.

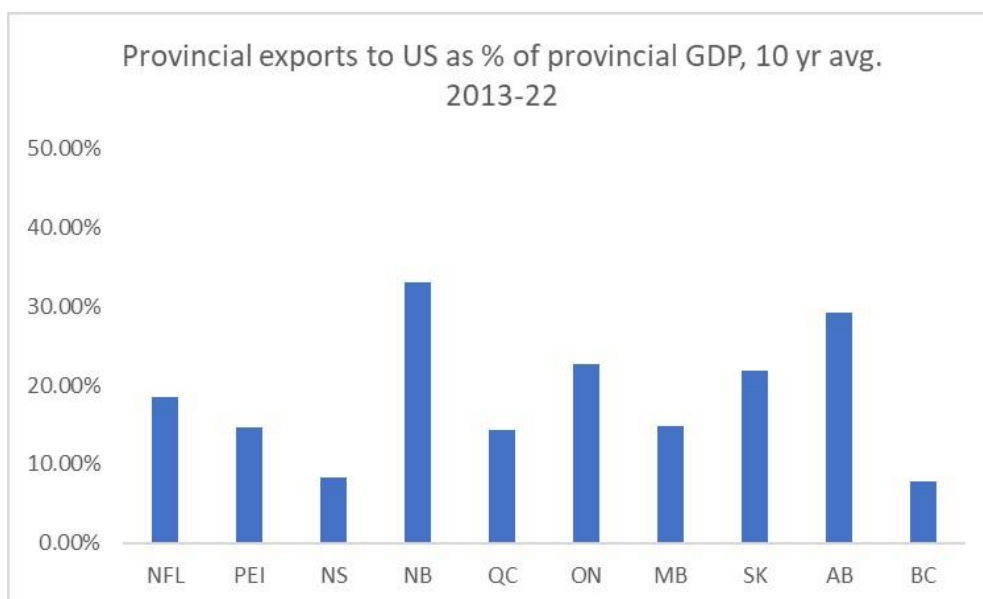


Figure 1: Provincial exports to the United States are significant to Alberta's economy. Source: CWF calculations from StatsCan data.

Sector implications of the Joint Review of CUSMA

There are significant implications for key western Canadian sectors of the joint review of CUSMA. As mentioned, for Alberta, sectors like energy, agriculture and forestry detailed below are trade-exposed key exports especially to the United States. See the Appendix for an assessment of the level of impact each sector has on Western Canada, Alberta and Calgary.

Energy

³ https://www2.gov.bc.ca/assets/gov/data/statistics/business-industry-trade/trade/exp_annual_exp_prov.pdf

Bilateral energy trade between the United States and Canada was valued at \$193 billion in 2023⁴ and in 2024 Canada and the United States renewed its Energy Transformation Task Force, demonstrating the criticality of energy to our two nations. Provisions in CUSMA that restrict the Investor-State Dispute Settlement mechanism for energy investments could discourage investment in energy infrastructure, especially in oil and gas. This is a concern for Alberta's energy-heavy economy, where investment protections have historically safeguarded foreign direct investment. The state-owned enterprise policies in Mexico, particularly the prioritization of PEMEX over foreign companies, pose a barrier to Alberta-based energy firms seeking investment opportunities in Mexico. The inconsistent regulatory frameworks and nationalization tendencies potentially impacts Canadian energy firms' access to the Mexican market. This dynamic undermines Alberta's potential to expand its energy industry with foreign energy investment restricted by protectionist policies in Mexico.

Agriculture

In 2023, the United States was Alberta's largest export market for meat at \$3.2 billion (almost half of Canada's meat exports to the United States) and Mexico was the third largest export market at \$311 million⁵. The United States and Mexico combined a total of \$297 million of cereal exports for Alberta. By contrast, across Canada, total export value of dairy products to the United States in 2023 were \$293 million⁶. While United States farmers now have increased access to Canadian dairy markets, *Bill C-282* recently passed in the House of Commons will create mandatory exemptions for the dairy, egg and poultry sectors in Canada to enshrine supply management into all free trade agreements. Alberta's exports of other agricultural products such as meat and cereals which are not subject to supply management quotas, are at risk of facing retaliatory protectionist trade tariffs from the United States. It is crucial that parties refrain from unjustified and retaliatory non-tariff barriers which violates CUSMA's principles of fair and open markets.

Forestry

The United States is Alberta's largest export market, making up 72 per cent of Alberta's forestry exports by value, \$2.8 billion worth of products⁷. CUSMA's Chapter 19 dispute resolution mechanism is crucial for protecting the interests of lumber producers in Western Canada by providing a legal pathway to contest these duties. The dispute has weakened the competitiveness of Canadian lumber in the United States market, leading to job losses and reduced exports.

Critical Minerals

Western Canada is poised to be a significant player in North America's critical mineral supply chain. Alberta and Saskatchewan have extensive potential in lithium and other critical minerals like nickel and cobalt, crucial for clean energy technologies such as electric vehicles (EVs), batteries and renewable energy systems. Strengthening CUSMA's rules of origin provisions reduces North America's dependence on Chinese-controlled supply chains, while also solidifying Canada's role as a dependable supplier to the United States and Mexico. That said, Mexico is currently developing its lithium reserves through a state-owned enterprise which pose a barrier to this integrated, North American supply chain for critical minerals.

⁴ <https://www.international.gc.ca/country-pays/us-eu/relations.aspx?lang=eng>

⁵ export.alberta.ca/export-tool

⁶ <https://aimis-simia.agr.gc.ca/rp/index-eng.cfm?action=pR&r=139&menupos=01.03.05.26.17.1>

⁷ <https://open.alberta.ca/dataset/bcec0091-cac0-4257-a8fd-bee57b8a0e6a/resource/f499a86f-ebb3-4ceb-80f5-beadabccdadcd/download/fp-albertas-forest-economy-2024.pdf>

Digital Trade

Alberta and Calgary's growing tech industry benefits from the prohibition of data localization under CUSMA, which enables companies to transfer data across borders freely. This has encouraged cross-border collaboration and technology innovation. However, privacy concerns and differing regulatory frameworks between Canada and the United States create friction for Alberta and Calgary-based firms working in highly sensitive sectors like aviation, defence, fintech and health tech. While technology firms in Canada enjoy increased access to North American markets, concerns about data privacy and the lack of stringent localization policies in the United States may hinder expansion in regulated industries.

Addressing Trade Irritants

As Canada prepares for the joint review of CUSMA in 2026, it must recognize there are potential – and significant - trade irritants that could complicate Canada's negotiating position. These are issues Canada may want to proactively address or will have to navigate strategically if it is going to protect its trade interests and economic relationships, listed by importance to Alberta's trade interests.

- **Mandatory Country of Origin Labeling (M-COOL):** Canadian exporters face an ongoing, consistent bi-partisan threat of the re-implementation of Country of Origin and Mandatory Country of Origin Labelling requirements for beef exports to the United States. According to the Canadian Cattle Association, prior to its repeal, the introduction of M-COOL led to an estimated \$1 billion loss for Canada's beef industry. The CUSMA review should oppose the reintroduction of M-COOL.
- **Supply management:** One of the most contentious issues during the joint review of CUSMA will be Canada's supply management system in the dairy, poultry and eggs agriculture sectors. This is especially true as *Bill C-282: An Act to amend the Department of Foreign Affairs, Trade and Development Act (supply management)* is currently before the Foreign Affairs and International Trade Senate Committee after passing in the House of Commons in 2023. The government should consider the risk of continuing to protect Canada's dairy, poultry and egg sectors on the growth and competitiveness of other key sectors of the country's economy.
- **Genetically modified crops:** Canola, a genetically modified crop, is a top ten export for Alberta and an important commodity in the Canada's agricultural economy, contributing over \$40 billion⁸ in economic impact and supporting over 200,000 jobs in the supply chain. Mexico's ban on GMO canola's import is inconsistent with CUSMA principles of open markets as it constitutes a non-tariff barrier to trade. Ensuring unrestricted access to the Mexican market will not only boost Canada's agricultural export but strengthens our position to advocate against any global GMO ban.
- **Softwood lumber:** The ongoing dispute between Canada and the United States over softwood lumber is likely to resurface during the joint review. This issue will continue to be a significant point of contention in future trade negotiations as the United States lumber

⁸[gd the-economic-impact-of-canola-on-the-canadian-economy august-2024 \(canolacouncil.org\)](https://www.canolacouncil.org/economic-impact-of-canola-on-the-canadian-economy-august-2024)

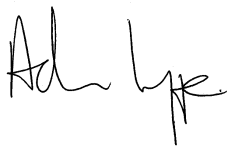
industry seeks protectionist measures. Canada should continue pushing for Chapter 19 dispute mechanisms to address ongoing disputes with the United States on this file.

- **Digital regulations:** Recent digital regulations enacted by the Canadian government, particularly the Digital Services Tax Act, the Online News Act, the Online Streaming Act and the Artificial Intelligence and Data Act, are seen by the United States as targeting technology companies based in the United States. These legislative measures impinge on critical areas of the digital economy and data governance and have created concerns about compliance, market access and equity.
- **Labour disputes and interruptions:** To maintain Canada's position as a trusted and valuable trading partner, we must improve the reliability of our supply chains. Canada's recent labour disruptions in trade-enabling sectors – rail, ports and grain terminals – have underscored the need for a robust, reliable and predictable approach to labour negotiations across Canada. The Government of Canada must consider new dispute resolution mechanisms that are predictable and consistent, such as the authority for federal cabinet to compel binding arbitration for labour disputes that would disrupt critical and essential supply chains.
- **Defense spending:** In the face of mounting global conflicts and the importance of the Arctic for natural resources and geopolitical positioning, the United States views defense as a priority. Canada has not met either of the NATO guidelines of spending at least two per cent of GDP on defense and spending at least 20 per cent of defense funding on equipment. The United States might use this deficit as leverage in trade negotiations.

As Canada prepares for the review of CUSMA, policy coordination is critical to mitigating potential headwinds, such as potential tariff threats and protectionist policies from either presidential candidate, and ensuring Canadian businesses remain competitive. There are ambitious considerations to bolster North American competitiveness Canada should bring to the joint review: energy and green energy investments, agriculture, critical minerals supply chains, rules of origin and de minimus thresholds. Given that Western Canada represents nearly half of exports from Canada to the United States, we hope these considerations are brought forward during the review process.

We are encouraged by this opportunity to provide input into the Government of Canada's approach to the upcoming 2026 joint review of CUSMA. We look forward to working with the Government on the considerations presented and advancing issues laid out above in key sectors for the benefit of not only Western Canada, but all of Canada.

With Best Regards,



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Appendix:

Matrix of Impact of CUSMA Provisions on Key Sectors in Western Canada, Alberta, and Calgary

Sector	CUSMA Provision Impact	Western Canada	Alberta	Calgary
Lumber	Softwood Lumber Dispute: United States tariffs on Canadian softwood remain unresolved; dispute resolution through Chapter 19 is critical.	High	High	Low
Agriculture	Dairy Market Access: United States access to Canada's dairy market; quota system concerns. Biotechnology: Approval and trade of GMO crops.	Moderate	High	Moderate
Technology	Digital Trade: Prohibition of data localization, data transfer across borders, and source code protection.	Moderate	High	High
Energy	State-Owned Enterprises (SOE): Mexico's policies favoring PEMEX limit Canadian investment opportunities; Investment Protections.	High	Very High	Very High
Manufacturing	Rules of Origin: Higher content requirements (75%) for auto parts and regional production constraints.	Moderate	Moderate	Low
Critical Minerals	Investment Protections: Chapter 14 limits ISDS mechanisms for sectors like mining; inconsistent policies in Mexico.	High	Very High	High