

Canada-U.S. Regulatory Cooperation

Industry Issue Overview

Critical Alignment Needed for the Largest Trading Block in the World

Canada and the U.S. entered into a Free Trade Agreement in 1989, later supplemented under the North American Free Trade Agreement (NAFTA) bringing Mexico into the group in 1994. That agreement was updated with the United States, Mexico and Canada Agreement (USMCA) in 2019. There is a good reason why regulatory cooperation and trade alignment is critical for both the U.S. and Canada: U.S. goods and services trade with Canada totaled an estimated \$908.9 billion in 2022. Exports were \$427.7 billion; imports were \$481.2 billion.

The Canada–United States (U.S.) Regulatory Cooperation Council provides a forum for stakeholders to:

- Discuss regulatory barriers to cross-border trade and investment
- Identify opportunities for alignment and cooperation

The council is governed by a Memorandum of Understanding between the Treasury Board of Canada Secretariat and the United States Office of Information and Regulatory Affairs Regarding the Canada–United States Regulatory Cooperation Council

What is the Regulatory Cooperation Council?

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The Canada–United States (U.S.) Regulatory Cooperation Council states that it provides regulators from Canada and the U.S. the opportunity to work together to reduce unnecessary regulatory burden on stakeholders, while continuing to protect the health and safety of citizens and the environment. It provides a forum for stakeholders, including industry, consumers, and non-government organizations, to discuss regulatory barriers and identify opportunities for regulatory cooperation. They do so with an agreement on technical work plans based on evolving discussions between Canadian and U.S. regulators, which is informed via stakeholder participation.

Step in the Right Direction

As a trading nation, international trade is vital to Canada's economic prosperity and quality of life. There is no more important trading partner than the United States. The Canada/U.S. trade relationship is the largest in the world and highly integrated with a web of cross-border supply chains. CPCA has advocated for greater regulatory cooperation and alignment with strategic trade markets to strengthen the competitiveness of Canada's manufacturing sector, while maintaining protection for human health and the environment.

Win-Win

Both countries have greatly benefited under CUSMA with the removal of tariffs for paint and coatings. As a result, significant industry consolidation has occurred, affecting small- and medium-sized enterprises (SME) including established Canadian brands and larger multinational companies with manufacturing facilities in Canada.

Domestically manufactured paint and coatings account for half of the Canadian market, approximately 15 per cent reduction from a decade ago. Those products once manufactured in Canada are now imported from plants in the United States. While there is little to no disruption to consumer choice, can be disruption in the Canadian manufacturing base for CASE products. The priority for CPCA has always been to ensure that these products continue to be produced in Canada by Canadian and multinational companies based here. For that to continue there must be more regulatory alignment and new regulations must be evidence-based and fair. Increasingly they are not.

Consequently, decisions on coatings manufacturing are increasingly made in the United States by multinational or US corporations, which represent just over half of coatings products now sold in Canada. These decisions address a number of factors including the local business environment and barriers to entry related to various types of federal and provincial regulations. While much has been achieved on regulatory alignment, much more action is required to meet the economic sustainability needs of Canada's paint and coatings industry.



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CPCA Regulatory Focus on Regulatory Cooperation

Opportunities for improved alignment and future collaboration were identified such as data gathering and sharing, and guidance documents for risk assessment using common terminology. Potential challenges to alignment were identified, including the ability to share confidential business information (CBI). Other challenges include the inability to assess certain chemicals that are regulated under other federal statutes or that fall outside the regulatory scope of the Canadian Environmental Protection Act, 1999 (CEPA 1999) or the Toxic Substances Control Act (TSCA). The inclusion of occupational risks within the scope of assessments under TSCA, but not under CEPA 1999, also pose challenges. The Canadian Government has made recent decisions that do not align with the United States including recent bans and use restrictions for biocides used for paint preservation; proposed new, lower VOC limits in 49 of 52 Architectural coatings categories with many products in each category impacted; sweeping changes to the Canadian Environmental Protection Act (CEPA 2023) which will change the way thousands of chemicals used in products assessed for possible bans or further regulations, etc.

CPCA has a proven track record in minimizing regulatory impacts on the coatings industry. Decisions that are not aligned with other jurisdictions or result in negative decisions by governments with respect to chemicals in commerce and product stewardship lead to negative impacts for thousands of products.

\$3

Billion in Goods and Services
Cross Canadian Borders

\$550

Billion in Direct Foreign
Investment in the U.S.

5,500

Canadian-Owned Businesses
Operate in the U.S.



Canadian Paint
and Coatings
Association

Association canadienne
de l'industrie de la peinture
et du revêtement

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*Trusted Advocacy.
Proven Results.*

About CPCA

The Canadian Paint and Coatings Association (CPCA) was founded in 1913 and since then it has forged a legacy as one of Canada's oldest trade associations advocating for the interests of the paint and coatings industry. CPCA's team of regulatory and chemical experts understand how policy, regulations, and industry are intricately connected, providing proactive approaches on legislative and regulatory development for critical issues for the CASE Industry. For more information on this or other issues of interest contact CPCA.