

August 1, 2024

Office of the Deputy Prime Minister and Minister of Finance  
Department of Finance Canada  
90 Elgin Street  
Ottawa, Ontario  
K1A 0G5

**Re: CME's comments on the Government of Canada's consultation to protect Canadian workers and electric vehicle supply chains from unfair Chinese trade practices**

On behalf of Canadian Manufacturers & Exporters (CME) and our member companies from across Canada, we welcome the opportunity to contribute to the Government of Canada's consultations on potential policy responses to unfair Chinese trade practices in electric vehicles (EVs) and certain other manufactured goods.

The manufacturing sector is a key pillar of Canada's economy, playing a crucial role in creating jobs, fostering innovation, and driving economic growth. Additionally, the sector is pivotal to meeting the short-and-long term demand for EVs and other strategic products in North America.

However, automakers and other manufacturers, suppliers and supply chain partners participating in the global auto sector's transformation are facing significant challenges, including soaring raw material costs, supply chain bottlenecks, and labour and skills shortages. Moreover, uncertainties in sourcing domestic supply sources highlights the necessity of maintaining predictable and sustained access to world markets. These challenges are further exacerbated by unfair competition from China's intentional, state-directed support for EV production, which has resulted in overcapacity and oversupply, as well as the absence of stringent labour and environmental standards.

The coming century will be shaped by how Canadian industry transitions to a low-carbon economy amid the geopolitical realignment of global supply chains and the reindustrialization of North America. Strengthening Canada's manufacturing competitiveness, enhancing partnerships with key allies and supply chain partners – especially the United States - while charting a path to net zero emissions will require a series of complex and strategic policy decisions.

The United States and the European Union have recently announced heightened trade protections on Chinese EVs and steel products. Due to China's domestic oversupply, these measures are likely to divert Chinese EVs away from these significant markets, potentially resulting in a surge of Chinese EVs imports to other countries, including Canada. This influx poses a direct threat to the development of Canada's EV supply chain, which has been supported by substantial federal and provincial investments.

Accordingly, decisive action is required to ensure a level playing field and enable Canada's industry and its workers to compete effectively in domestic, North American, and global markets.

We encourage the government to be wary of calls to look past the decisions of the United States and the European Union and only consider Canada's response in the context of EV adoption and climate change. The preservation of Canada's manufacturing capacity and geopolitical interests must not be overlooked. Furthermore, it is essential to promote a system of global trade based on mutual benefit rather than aggressive mercantilist competition. That includes considering appropriate measures to protect Canada's steel industry from China's state-directed overcapacity.

As such, CME respectfully presents the following for your consideration as the government determines Canada's appropriate policy response:

1. Ensure that policy responses are evidence-based, compliant with WTO rules, and aligned with the US and the EU. Canada's response must be developed in the context of the upcoming CUSMA review. Caution must be exercised to avoid disruption of key imports such as critical minerals.
2. Make certain that only vehicles manufactured in Canada or partner countries are eligible for the iZEV and iMHZEV programs to prevent taxpayers' dollars from subsidizing the purchase of artificially cheap foreign vehicles.
3. Increase domestic mining and manufacturing capacity to preserve access to key inputs for manufacturers. The mitigation strategy should also aim to reinforce and secure market access for electric vehicles from other countries with which Canada has free trade agreements.
4. To protect steel manufacturers from the challenges posed by the Chinese government-driven excess steel capacity, invoke and enforce Section 53 of the Custom Tariff Act to



impose a minimum of 25% tariff on all melted and poured Chinese steel products entering the country.

CME would be open to convening groups of concerned members for officials to address the technical considerations required for any policy response to these unfair practices. Please contact us for further assistance on this or any other issue.

Sincerely,

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Canadian Manufacturers & Exporters