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Chair: The Honourable Judy A. Sgro



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• (1635)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Welcome, everybody.

This is meeting number 115 of the Standing Committee on International Trade.

Before we begin, I need to ask all in-person participants to read the guidelines written on the updated cards on the table. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including the interpreters. You will also notice a QR code on the card, which links to a short awareness video.

I need to remind all members to please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hands if you wish to speak, whether participating in person or via Zoom.

Thank you all for your co-operation.

If any technical issues arise, please let me know immediately. We will suspend to ensure interpretation is properly restored before resuming proceedings.

Following Mr. Seeback's departure from our committee, which we're very sad about, because we were working well together, now we have someone else who I am sure will be equally as competent and great to get along with.

We need to fix the issue of the vice-chair for the official opposition. Before I go on to the witnesses' statements, I'd like to call on the clerk to preside over the election of the vice-chair.

The Clerk of the Committee (Mr. Grant McLaughlin): Thank you very much.

Pursuant to Standing Order 106(2), the first vice-chair must be a member of the official opposition.

I am now prepared to receive motions for the first vice-chair.

Mr. Tony Baldinelli (Niagara Falls, CPC): I propose Ryan Williams, my colleague.

The Clerk: Thank you.

Are there any further motions?

Seeing none, it has been moved by Mr. Baldinelli that Mr. Williams be elected as first vice-chair of the committee.

Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

The Clerk: I declare the motion carried and Mr. Williams elected vice-chair.

The Vice-Chair (Mr. Ryan Williams (Bay of Quinte, CPC)): Thank you.

The Chair: All right. Before I introduce the witnesses, Mr. Savard-Tremblay had asked a question about the microphones at Monday's meeting. The clerk consulted and has confirmed that the old earpieces were the source of the issue during the spring acoustic incidents that we were experiencing, which is why they have all been replaced. After testing, it was determined that the microphone systems were not problematic, so while they will be replaced when they go through life cycling, they can continue to be used until that time. I hope that is sufficient information for everyone as regards the earpieces.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Wednesday, August 21, 2024, the committee is continuing its study on protecting certain Canadian manufacturing sectors against related Chinese imports and measures. This includes electric vehicles, aluminum and steel.

With us today, as an individual, we have Charles Burton, a senior fellow with Sinopsis. From the Aluminum Association of Canada, we have Jean Simard, president and chief executive officer, by video conference. From the Canadian Steel Producers Association, we have Catherine Cobden, president and chief executive officer, and François Desmarais, director of trade and industry affairs. From the Canadian Vehicle Manufacturers' Association we have Brian Kingston, president and chief executive officer. From Environmental Defence Canada we have Nate Wallace, clean transportation program manager. From Unifor we have Lana Payne, national president, by video conference, and Angelo DiCaro, director, research department, also by video conference.

Thank you all very much for joining us today.

We will start with Mr. Burton. I invite you to make an opening statement for up to five minutes, please.

Dr. Charles Burton (Senior Fellow, Sinopsis, As an Individual): Last month, the United States' national security adviser, Jake Sullivan, spoke to reporters in Nova Scotia. At that time, Mr. Sullivan said the U.S. sees "two distinct challenges" connected with Chinese EVs.

The first one, he said, is this: “Massive subsidies going into the Chinese electric vehicle industry have eliminated a level playing field and so part of the economic response the U.S. has taken is responding to that.” Second, he said that there are “issues associated with data security, with critical infrastructure, and with the underlying questions of national security associated with connected vehicles, electric vehicles”.

Now, China sells its EVs cheaply because it considers the geostrategic benefits. China has no private sector commercial enterprises as we understand them here in Canada. Chinese corporations are required by law to support state intelligence services, including sharing proprietary information about foreign partners and customers. The Chinese authorities can order Chinese EV manufacturers to incorporate spyware into their products and then sell them to western markets at prices below production costs because of Chinese government subsidies.

Two years ago, Canadian authorities banned Huawei from accessing key Canadian infrastructure in 5G networks because of the security risk posed by the Chinese tech giant.

In 2020, Global Affairs Canada terminated a contract between NucTech, a Chinese state-owned enterprise, and Global Affairs to install security X-ray scanners in Canada's embassies around the globe, for similar security concerns.

Several years ago, U.S. legislators moved to ban the purchase of China Railway Rolling Stock Corporation subway cars because of technology in the cars that could allow for remote monitoring, secret recording of conversations, surveillance of individuals and even threatening passenger safety by manipulating the opening and closing of railcar doors from Nanjing in China.

I'd like to focus my remarks on Mr. Sullivan's second point: that there are issues associated with data security, with critical infrastructure and with the underlying questions of national security associated with electric vehicles.

If the real intent of a 100% tariff is to ban the import of Chinese EVs into Canada, then we should do this, because Chinese EVs are potential spy machines on wheels, accumulating data about drivers on where they go and when. Their many cameras and sensors and GPS can camouflage spyware and malware.

These EVs can have sensors loaded onto them that collect data every second, not just about the car and its occupants but about the licence plates around it, or people on streets through facial recognition apps. Advanced apps can process this data in near real time, giving intelligence services instant situational knowledge of who goes where and when. China already knows this. China bans the U.S.-based Teslas from using roads near Chinese government or military facilities.

In testimony to the U.S. Congress earlier this year, FBI Director Christopher Wray warned, and I quote: “China's hackers are positioning on American infrastructure in preparation to wreak havoc and cause real-world harm to American citizens and communities, if and when China decides the time has come to strike.”

Chinese EVs are part and parcel of this kind of endeavour.

Without firing a shot, Beijing could coordinate a massive attack on our domestic stability. It could easily overwhelm the ability of the Communications Security Establishment to monitor malign backdoor capabilities slipped into software updates on Chinese equipment. They can extend to millions of lines of code.

There is a sobering realization of the role Chinese technology could play in kinetic conflict. Bridges being blown up in far-off lands will not characterize future wars. Technology, including software embedded in cars around the world, can be used to sabotage everything from communications to transportation, health care and food supply chains.

My judgment is that the potential security threat trumps all of the other factors in our consideration of Chinese EVs. Just as we've banned Huawei telecommunications technologies from Canadian infrastructure, on the same basis we should ban all import of Chinese electric vehicles.

• (1640)

Thank you, Madam Chair.

The Chair: That's perfect timing. Thank you, Mr. Burton.

Mr. Simard, go ahead, please, for up to five minutes.

Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada): Thank you, Madam Chair.

Members, I stand here today representing a vital industry that produces 80% of North America's primary aluminium, a cornerstone of Canada's pivotal role in the North American economy. However, despite this advantageous position, the reality facing our industry is clear and alarming to all well-informed Canadians: We are under a growing threat. It is a threat that wears the mask of short-term bargains offering the appeal of low-priced products, but these prices are artificially low as a direct result of a non-market-based system distorted by China's state-sponsored overcapacity in aluminium.

As our CUSMA partners, the U.S. and Mexico, take necessary steps to protect their markets by imposing tariffs on Chinese aluminium and aluminium-intensive electric vehicles, the risk of this excess capacity's being diverted to Canada grows significantly. Without decisive action, Canada could become the back door for these unfairly traded high-carbon products, undermining the integrity of our industry and the stability of North American markets. The path ahead for Canada will be challenging, but the steps we take now will be crucial to ensuring the long-term sustainability of our industry and securing our place in a fair and balanced trade environment.

Aluminium is like water: It seeks the path of least resistance to reach the highest price. The possibility of Chinese products flooding our markets is a clear and present danger. It will damage our partners' economies as well as Canada's own economy and industry, but above all, these unfair Chinese practices will hurt Canadian citizens, both consumers and producers. Behind Canada's industrial fabric lie hundreds of thousands of well-paid jobs that enable Canadians to contribute to their regional economies. The risk to these jobs comes in the form of Chinese products. These Canadian workers know that price is what you pay, but value is what you get.

A recent survey by Spark Advocacy reveals that 79% of Canadians support the idea of joining the U.S. and Mexico in imposing tariffs on Chinese products. Even more telling, when presented with the argument that Canadians could benefit from cheaper electric cars if they weren't taxed, 68% rejected this notion, agreeing instead that Canada should prevent cheaper Chinese vehicles from entering our market because they're subsidized by the Chinese government, will undermine our economy and cost Canadian workers their jobs. As a Canadian myself, I can't help but feel a sense of pride when confronted with such conviction. We are in a race, but it won't be a race to the bottom, not with this strong Canadian spirit.

Evidence of China's non-market economic behaviour from 2010 to 2020 is overwhelming, as China propelled its aluminium industry forward with unprecedented state intervention. The western world's smelting capacity in aluminium became a graveyard. Over 40 plants shut down, including many in the U.S., where the number of smelters dropped from 15 to just four. Allowing imported Chinese metal into Canada means importing carbon at no cost while exporting jobs at a high price. It means undermining our hard-earned technology investments, whether in projects like Elysis or in the electric vehicles that rely on aluminium as a core component of all batteries and vehicle bodies.

We are free traders because we believe that rules-based level playing fields are the best way to thrive for the greater good; however, China is anything but a free trader. We must protect our free-trading North American environment, its jobs, its people and its businesses and communities from such harmful behaviour. The primary aluminium industry fully supports the government's use of section 53 of the Customs Tariff to implement these surtaxes. This approach is not only timely but absolutely necessary. By allowing for the flexibility to extend tariffs throughout chapter 76 of the HS code as needed, the government can proactively prevent circumvention and enhance the effectiveness of its measures over time.

We understand that imposing tariffs might have repercussions for some consumers of Chinese goods. It is essential to manage this

impact carefully and to ensure a gradual transition that supports the realignment of trade flows in the desired direction. Our goal should be parity with U.S. tariffs to maintain a competitive balance while avoiding undue burdens on Canadian businesses.

Finally, we expect the Canadian government to spare no effort in the coming days and weeks to ensure proper and timely alignment with our U.S. and Mexican CUSMA partners.

• (1645)

By doing so, we can safeguard our economic interests, support the growth and innovation of our domestic aluminium industry and maintain our critical role within the North American trade landscape.

Thank you.

The Chair: Thank you very much, Mr. Simard.

We have Ms. Cobden, please, for five minutes.

Ms. Catherine Cobden (President and Chief Executive Officer, Canadian Steel Producers Association): Thank you very much, Madam Chair and members of the committee, for once again inviting us to appear before you to share the views of the members of the Canadian Steel Producers Association on today's topic of section 53 tariffs.

Briefly, the CSPA is the national voice of the Canadian primary steel and pipe and tube industry. Our 14 member companies are based in six provinces of the country: Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and Newfoundland and Labrador. Our industry represents 123,000 direct and indirect jobs and contributes \$15 billion to the Canadian economy.

The steel we produce also ends up in a wide range of products, including integrated North American automotive, construction and energy sectors, amongst many others. We are the United States' largest importer of steel, and the United States is Canada's largest importer of steel, so steel goes like this.

First, I want to start off by strongly supporting the establishment of tariffs on steel. We are very pleased that the government is taking this critically important step to protecting Canada's steel industry and our workers. This action is warranted in retaliation—in retaliation—to unfairly traded steel from China, and it aligns with similar actions taken by the United States, Mexico and elsewhere. As we have said repeatedly, unfair trade from China hurts Canadians, hurts Canadian industries and hurts our workforce. It also deeply compromises our trading relationship with the United States.

China has developed a significant overcapacity in its steel production, and its practice of unfair trade is irrefutable. International organizations such as the Organisation for Economic Co-operation and Development, otherwise known as the OECD, and the Global Forum on Steel Excess Capacity are excellent resources that enable this committee to review the documented facts.

In Canada, there are currently 18 active anti-dumping duties in place against China for primary forms of steel. Indeed, 56% of Canada's entire trade caseload involves China, yet, despite the significant number of findings of dumping, steel from China is surging. It is doubling in the Canadian market over the last few years. This demonstrates well that our trade remedy system alone is insufficient for these exceptional circumstances.

Canadians agree with this action. In recent national opinion polling, 79% of Canadians indicate their support for these tariffs. Canadians understand that we are facing an exceptional existential threat and that unfair trade is not only bad for the steel industry but has terrible consequences across the economy.

The U.S. also agrees with this action, as witnessed by USTR Ambassador Tai's public statement upon Canada's announcement of the section 53 tariffs.

Canada is standing strong with the U.S. in taking direct aim at Chinese overcapacity in steel, aluminum and EVs. Given the highly integrated nature of our economies, Canada must remain aligned with the United States to ensure a fair and secure supply of steel throughout North America.

In May, the U.S. announced 387 tariffs on Chinese EVs, steel and aluminum, amongst other products. Of those 387 tariff codes, 289 were on steel. I am pleased to say that Canada's notice of intent to enact section 53 on steel in Canada essentially matches the U.S. tariff codes.

In closing, we look forward to working with the government and all parties to ensure a smooth and rapid implementation of these absolutely necessary tariffs.

Thank you.

• (1650)

The Chair: Thank you very much, Ms. Cobden.

We'll go to Mr. Kingston, please, for five minutes.

Mr. Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Thank you, Madam Chair and committee members, for the invitation to take

part in your study. I do appreciate the opportunity to be here and to provide the auto manufacturers' perspective on this important issue.

The Canadian Vehicle Manufacturers' Association represents Canada's leading manufacturers of light and heavy-duty motor vehicles. Our membership includes Ford Motor Company of Canada, General Motors of Canada Company, and Stellantis, also known as FCA Canada.

We strongly support the government's recent decision to implement tariffs on Chinese EVs and to limit purchase incentives to products made in free trade agreement partner countries.

These measures are critically important for two key reasons.

The first is alignment. Since the Auto Pact of 1965, Canada has reaped enormous economic and social benefits by being part of the integrated North American automotive sector. Through common regulations and competitive supports, we manufacture in this country into a market that accounts for annual sales of nearly 20 million vehicles. It is this very integration that has enabled Ford, General Motors and Stellantis to make historic, job-creating investments into this country to produce EVs and batteries. These investments total nearly \$15 billion. They'll create 6,000 new jobs and tens of thousands throughout the automotive supply chain. However, we cannot take this success for granted. Measures have to be taken to protect Canada's automotive industry and the hundreds of thousands of well-paying jobs it supports.

Alignment with the United States in the automotive industry is the foundation of our manufacturing base. With an upcoming review of the Canada-United States-Mexico Agreement, CUSMA, in 2026, there is simply too much at stake for the industry and the broader Canadian economy if we are out of step and misaligned with the United States on the approach to China.

The second is time. The creation of a North American EV supply chain from mining to final vehicle assembly is still very much under development. Time is required to allow for critical minerals production and processing to ramp up, for the construction of new battery plants and for the retooling of existing manufacturing facilities. If we were to allow subsidized Chinese EVs to flood the Canadian market in pursuit of misguided EV sales targets, we would threaten Canada's role in the automotive supply chain. Implementing tariffs will give Canada a foothold in the emerging EV supply chain during this once-in-a-century transformation to electric.

Now, before I conclude, I would like to table a recommendation for the committee's consideration as part of this study. The federal government's recently implemented regulated EV sales mandate is a significant departure from the long-standing Canadian approach of alignment with the United States. This is a direct challenge to the very integration that is the foundation of this industry. It's a challenge to our integration with CUSMA and the competitiveness of Canada as a manufacturing jurisdiction.

Our seat at the automotive table in North America and the hundreds of thousands of jobs this industry provides depend on regulatory alignment for everything from vehicle safety to emissions standards. Given the transformation under way and the threats posed by countries like China, the consistency of our regulations across the larger North American market has never been more important than today.

By prioritizing EV sales over the development of a North American supply chain, the federal EV mandate opens Canada to subsidized or dumped EVs from China and other non-market economies. We recommend that the misguided EV sales mandate be scrapped in advance of the 2026 CUSMA review. The time and resources of the government would be much better spent ensuring that the supports are in place to help Canadians switch to electric, rather than mandating what vehicles they can and cannot buy.

Thank you for the opportunity.

• (1655)

The Chair: Mr. Kingston, if you want to email the motion you referenced to the clerk, then it will become part of the documentation and the report as we go forward.

Mr. Brian Kingston: I'd be happy to. Thank you.

The Chair: We'll go to Mr. Wallace for up to five minutes.

Mr. Nate Wallace (Clean Transportation Program Manager, Environmental Defence Canada): Thank you, Madam Chair.

My name is Nate Wallace. I'm the clean transportation program manager at Environmental Defence Canada. I'd like to thank the members of the committee for the opportunity to share our views on the application of tariffs on Chinese electric vehicles.

When discussing this issue, the debate is often premised upon the idea that there is a trade-off between Canadians getting access to affordable electric vehicles, thus speeding up our net-zero transition, and the need to protect jobs and the investments in Canada's fledgling EV auto sector.

We believe Canada can do both. That's why we favour a balanced tariff approach similar to the European Union's. It's in nobody's interest for any one country to dominate the electric vehicle supply chain, especially not one that is a geopolitical adversary of our closest ally, the United States. It is in our own economic, environmental and security interests to build up an EV industry in Canada that delivers good jobs with union wages.

At the same time, it's important to recognize what tariffs are. They are a tax on Canadian consumers that have the explicit intent of raising prices. As noted by the Parliamentary Budget Officer's recent report on Canada's electric vehicle adoption goals, the price

of an electric vehicle needs to fall by about 31% by 2030 to achieve the federal government's EV sales targets.

What we are primarily concerned about is how Canada needs to have a strategy to get EV prices down toward an affordable range for consumers. If the federal government plans to deliberately cause EV price inflation with its tariff policy, there needs to be a plan to compensate for these impacts and continue to drive prices down.

There are limited methods of reducing EV prices from a policy perspective. I'll name a few.

Firstly, there is the option of expanding consumer subsidies. However, our own economic modelling on this option indicates that this can create a perverse incentive for automakers. When the government pays for EV price reductions, it reduces the incentive for automakers to cut costs themselves by investing in battery innovation and research and development. Moreover, as EVs begin to dominate the new vehicle market, these incentives can become increasingly fiscally costly.

Secondly, there is the option of employing more direct industrial policy tools and attaching affordability strings to the EV production subsidies that Canada has been giving out. However, this option is limited by the negotiating room the Canadian government has relative to other countries offering similar production subsidies. Canada, unfortunately, does not have a domestic automaker and relies on foreign investment.

Thirdly, there is the option of encouraging more market-based competition. In the European market, the presence of Chinese competition has caused incumbent automakers like Stellantis and Renault to introduce budget EV options. There is currently no indication that these incumbents will bring these budget models to North America.

Tariffs, of course, reduce competition.

It's important to note that we support the idea of establishing a level playing field. Canadian auto workers should not have to compete with the lower wages of Chinese auto workers. China does not have a system of free and fair collective bargaining.

However, establishing a level playing field should be evidence-based. It is important to note that the 100% tariff number is not evidence-based; it is arbitrary. If we want to level the playing field, we should have an approach more similar to the one used by the European Union, which conducted a subsidy investigation. Chinese automakers that complied with that investigation, such as BYD, received only a 17% tariff, not a 100% tariff. Tesla received an 8% tariff.

The intent of a 100% tariff is not to level the playing field. The intent is to deliberately shut out competition for its own sake by completely wiping out the business case for entering the market.

In the presence of an overwhelming tariff wall, the only safeguard in place to keep EV prices on a downward trajectory is the presence of Canada's electric vehicle availability standard. Our own economic modelling, which was recently cited by the Parliamentary Budget Officer, finds that this measure alone will drive EV prices down by approximately 22% by 2035. This underscores the importance of developing a consensus across all political parties to keep this policy in place. We can't lose sight of the fact that getting affordable electric cars into people's hands isn't something that is optional; it is essential to achieving our climate goals.

Thank you. I'm happy to answer your questions.

• (1700)

The Chair: Thank you very much.

Ms. Payne, welcome back to committee. You have up to five minutes.

Ms. Lana Payne (National President, Unifor): Thank you very much, Madam Chair.

Hello and good afternoon to members of the committee and my fellow panellists. I'm happy to join with all of you today.

I'm Lana Payne, the national president of Unifor. We represent 320,000 workers across the country, many of them working in the sectors we're discussing here today. Joining me is our director of research, Angelo DiCaro.

In May, as you know, we urged this committee to take the threat of unfair Chinese EV imports to Canada very seriously. In recent months, the government has taken steps to do just that.

For the past decade, China has deployed every possible resource it has to become the world's number one EV assembler, battery-maker and critical mineral processor. It doesn't stop there. China has built up its overcapacity across many industries. You've heard that here today. Their subsidies and the industrial capacity China has amassed are unparalleled. Their ability to avoid international trade and investment rules is blatant, just as you've heard. Their denial of fundamental labour rights is totally unacceptable. It is illegal, as you know, for workers in China to form an independent trade union. It is illegal to engage in free and fair collective bargaining. Chinese workers who attempt to strike or protest face severe sanctions by their government.

It's important for everyone in Parliament to understand our position on these matters—the rights of all workers, including Canadian workers, to bargain fairly, to strike and to have access to good jobs built through collective bargaining. Canada and its allies must realize China's economic prowess and its impact on good Canadian jobs. Past governments were so enamoured with globalization and free trade that they gave themselves permission, frankly, to ignore the damage being done to working families in our country and the economic hole they dug for Canadian industry.

Our job in a postpandemic world is to understand this new global economy and reality that we're facing. Nations are competing for

investments and developing robust industrial strategies to get us to net zero. For example, no one can view the U.S. Inflation Reduction Act as anything other than a massive blueprint for industrial renewal. The U.S.'s decisions with respect to tariffs and China are about protecting that renewal and the millions of jobs tied to it.

Canada must also be bold. We must strengthen key existing industries and create new ones. We must invest in workers and our workplaces. We must build the things we need and employ the skills of every worker in this country to do it. That includes building up our auto, truck, bus, steel and aluminum industries but also such other critical transport sectors as rail, subway cars, aerospace and shipbuilding. I'm not sure if you know this right now, but we have a Chinese firm looking to build subway cars for Toronto while Unifor's Thunder Bay plant is facing an uncertain future. We have to get our procurement act together here in Canada as well.

Section 53 of the Customs Tariff is one of the many levers basically hardly used right now by governments. The fact that we are doing it is a bold move. It's the right move to guard against a surge in Chinese EV imports while our domestic industry retools. It also provides workers a buffer against carbon-intensive Chinese steel and aluminum that's been dumped in our market for decades. We're pleased to see the government taking action on this front.

We've also identified other concerns. For instance, China is currently overproducing lithium-ion batteries and dominating global production of battery parts and precursor materials. While China continues to pump out cells and cathodes and anodes, other battery plant investments, including some in Canada, are facing delays as EV demand slows. Canada must ensure that these lucrative job-creating battery factories get up and running. Unifor wants to see similar action, under section 53, targeting Chinese batteries, critical minerals and other components that are key to Canada's EV transition.

Canada has other legislative powers that it can use to stop illicit goods from entering the country, specifically goods made with forced labour. We know that China is implicated in some of the worst forced labour violations in the world. Canada must act. We are calling on this committee to add its voice to this critical matter.

• (1705)

Either we take responsibility to fight human rights abuses across supply chains or we accept it and live with our complicity in it. We can do better for Canadian workers and workers everywhere, so let's do that.

I appreciate the opportunity to speak with you today and look forward to answering any of your questions.

Thanks very much.

The Chair: Thank you very much, Ms. Payne.

We will move on to Mr. Berthold for six minutes, please.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you very much, Madam Chair.

Mr. Simard, Canada and Quebec are proud of their aluminum industry. As you said earlier, 80% of North American aluminum comes from Canada, and most of that comes from Quebec and British Columbia. It's produced using hydroelectricity, so it's clean aluminum.

Exactly how many jobs does Canada's aluminum industry account for?

Mr. Jean Simard: In Canada, that's almost 9,000 jobs right in our plants. I would say it's about 8,000 jobs in Quebec and a little over 1,000 in British Columbia. Then there's a whole industrial ecosystem of suppliers that represents some 40,000 jobs.

Mr. Luc Berthold: So, it's a fairly large industry. I was shocked when I saw, in May, that the United States was imposing tariffs to protect its industry and that Canada's Liberal government was so slow to react. They're still talking about it, but the tariffs are not yet in effect.

What damage has this market imbalance between the United States and Canada done because the Liberal government is taking too long to act?

Mr. Jean Simard: I think we need see tariff issues as dynamic, especially when countries are implementing tariffs.

What we have are implementation timelines. The Americans sent the signal in May, but the final version of the tariffs was announced only about a week ago and will come into force gradually over the next year or year and a half, depending on the product. Canada isn't actually lagging behind. On the contrary, it moved quickly. There was an expedited consultation process.

Canada was very sensitive to the representations we and our steel industry colleagues made. The fact that two sectors joined forces to make those representations is a first in Canadian history. Our primary trading partner, the United States, has actually praised Canada's efforts to follow suit because we are acting quickly, and we're targeting the right products in the right way. I, for one, wouldn't say that the Government of Canada lagged behind. On the contrary, it followed suit very quickly.

Mr. Luc Berthold: If measures are not adopted quickly, how will Chinese dumping impact the jobs we just talked about?

• (1710)

Mr. Jean Simard: That's an interesting question. You know, Canada is a land of resources and an exporter. It isn't a market per se, because we don't have the population density, the critical mass. As such, the issue for an industry like the aluminum industry is that our metal goes to foreign markets. About 95% of what we produce in Canada is shipped to the United States. The American market could very well disappear if processors in the United States replace Canadian metal with Chinese products, because that processor might end up saying that it needs less of our metal or doesn't need it at all.

I said earlier that aluminum is like water: It follows the path of least resistance to get the best price. That's exactly what we're talking about here. The danger is that once the Americans close the door, Mexico will follow suit. The danger is that Canada will become the gap through which Chinese products enter to take our place in the American market. If that happens, we'll be at odds with our American partners because we would become the conduit for transshipment to the United States. That's the issue, the gradual erosion of jobs and investment and so on.

Mr. Luc Berthold: Have you already started to see that happening in recent years? What's the current impact of aluminum dumping—and I could ask the same question about steel—on the Canadian economy? I'm talking about Chinese aluminum, obviously.

Mr. Jean Simard: In our case, we're seeing an increase in certain products from China, such as aluminum sheet or thick plate, which is arriving at a discount to penetrate the market. By selling at a lower price, metal gets moved.

Mr. Luc Berthold: I would like to be a little clearer. Earlier, you talked about 40 plants that have closed. How many jobs does that represent in the Canadian economy? How many jobs are at risk if nothing is done?

Mr. Jean Simard: It's 40 plants that have closed around the world. None have closed in Canada.

Mr. Luc Berthold: You're telling me that there haven't been any in Canada.

Mr. Jean Simard: That's right.

With its energy contracts, Canada has a resilience that allows it to withstand and go through downward cycles like that. The closures occurred in the United States and Europe.

Mr. Luc Berthold: Perfect.

Mr. Desmarais, do you have a comment on the impact of Chinese steel dumping on the Canadian economy?

Mr. François Desmarais (Director, Trade and Industry Affairs, Canadian Steel Producers Association): There are two parts to the answer to your question. The first is that steel producers in Canada are at risk of losing a lot of market share. As we speak, only 35% of the steel used in Canada is produced in Canada. We risk seeing these market shares decline further if we leave the door open to Chinese steel.

The other important aspect to consider is access to the American market. The Americans are very concerned about Chinese producers and exporters circumventing their tariff measures. They paid a lot of attention to steel that came from China via Mexico. The question is also for Canada. It's critical for us to maintain this access to the U.S. market since 50% of our production goes to the U.S.

[English]

The Chair: Thank you very much, Mr. Desmarais.

We'll move on to Mr. Sheehan for six minutes, please.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much for everyone's presentations on this really important subject matter, not just for Sault Ste. Marie but for the rest of Canada.

My first question, Chair, is for Catherine.

At the last meeting, I said it was very reminiscent of when I was first elected. When I was first elected, Tenaris's Algoma Tubes had a handful of people working there just to keep the lights on. Algoma Steel was in bankruptcy protection. Many other steel companies were up against the ropes, almost down and out. In 2016, with our first budget, we started implementing changes to our trade regime, because they squarely blamed Chinese dumped steel for why we almost didn't have a steel industry.

We talked about increasing the length of time—which we did—that these remedies would be in place when they were found to be bad actors. We also said we'd consult. After we consulted with your group, Catherine, the steel producers, and the unions, we came up with four things in the next budget, in 2017: particular market situations, anti-circumvention, scoping rules and union participation.

Then, in the next year's budget, we put more money and more resources into the CBSA for forensic auditors. I'm not going to talk about all of them, but I'll fast-forward to 2024. Each and every year, we strengthen our trade regime, and in 2024 it was with our market watch, with \$10 million to support those folks who are doing the hard work to support Canadian workers and jobs.

Now, before I get to the 25% tariff on China right now, I want you to take a moment and think about what the steel industry would look like without all of those measures that we had in place. You talked about the surge recently, and I get that, but what would the steel industry look like without what we have done over the last nine years?

• (1715)

Ms. Catherine Cobden: The trade remedy regime needs to keep pace. The facts are that we've had to make changes year over year, really, because global trade practices have evolved, if you will. Those have been very necessary and very welcomed changes to the trade remedy system. We have more to do. Certainly, the tariffs aren't the only answer.

What we know, though, in this moment in time, is that the trade remedy system is overwhelmed despite all those changes, so we need to have this extra layer of protection that was announced by the government on section 53. We need it.

That doesn't say we don't have an additional.... We must continue to ensure those trade remedy systems remain in place. It's our first line of defence. It's our regular line of defence. The cheaters cheat, and their practices of cheating evolve. It's a never-ending need to continually modernize and upgrade to the current practice.

Mr. Terry Sheehan: We can just suppose, then, that without all those other measures, it would be a lot worse right now.

Ms. Catherine Cobden: We have the vast majority of trade remedy cases in the steel industry. We absolutely rely upon it, and every year we need changes to be continuing so that it evolves in order to protect the industry. Without it, the industry would not be protected. We'd be fully exposed.

However, I do want to make the point that trade remedy cases cost a lot and are very slow, and that's the benefit of the 53 tariff. At this moment in time, with these terrible circumstances we're facing, we need something faster and more nimble, which is what section 53 gives us.

Mr. Terry Sheehan: That's great to get on record. I think it's really, really critical that we do the 25%. That is just taking it a little bit further, not just for steel but for aluminum, for 100% on the EV. It's critical and then, you know, we haven't talked about 2018 when Trump imposed the 232 tariff on us.

How important is it to be aligned with our American partners going forward, since our steel industry is so integrated? Algoma Steel ships 50% of its steel to the United States, so that's absolutely critical. Would you agree with that?

Ms. Catherine Cobden: Yes. As I alluded to in my remarks, we're highly integrated, and steel moves back and forth across the border many times, so there is no question that, if we are at a moment in time when we need to pick where we align, we align with the United States. That will be the steel industry's view each and every time.

Mr. Terry Sheehan: Some people called our anti-tariffs dumb. They weren't. We won, and on that, at the same time, we also invested in aluminum and steel through the SIF initiative to decarbonize in particular the economy, such as with \$420 million for Algoma Steel. Why has the steel industry chosen by itself to decarbonize?

Ms. Catherine Cobden: Well, the market is going that way, and while we're already producing some of the lowest-carbon steel in the world, it's very important for the steel industry to continue to reduce our carbon footprint. As you know, especially in your riding, there's a very significant project going on for the decarbonization. The decarbonization cannot be done by the industry on its own; it requires partnership with governments.

In these cases, then, the federal and provincial governments have stood in to support the industry's transition. These are very significant investments that cannot be made by the industry on its own.

• (1720)

Mr. Terry Sheehan: Thank you.

The Chair: Go ahead, Monsieur Savard-Tremblay. I let Mr. Berthold go over, but we'll catch him the next time.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

I'd like to thank all the witnesses for their presentations.

Mr. Simard, we are, of course, aware of the importance of aluminum in Quebec. In 2020, hearings were held here on the Canada-United States-Mexico Agreement, or CUSMA. You will no doubt recall that the Bloc Québécois tried very hard to get an agreement from the government. At the end of the day, should Chinese aluminum be dumped through Mexico, the government committed to returning to the negotiating table to try to get aluminum to a status similar to that of steel. You yourself said at the time that it was unfortunate, and probably harmful, that aluminum did not have the same status as steel in CUSMA, not only in terms of parts, but also in terms of melted and cast materials.

There will be a review of CUSMA shortly. Do you think it could be a good advantage to put that in the works?

Mr. Jean Simard: Harmonization of border control measures is certainly in the interest of the CUSMA trade space. I would say that Canada, together with the United States, has put a lot of pressure on Mexico in this regard. Our own industry has done that with Mexico, with our American colleagues. I think all of that has contributed to Mexico recently following the lead of the United States in putting tariffs in place. In addition, Canada is consulting on a statement identifying the cast country for the aluminum sector, similar to what we are currently studying for the steel sector.

It's interesting. Furthermore, it's much more complex than it seems, because Mexico, which is sovereign and autonomous, only has to say no, in the end. If I put myself on their side of the border, Mexico's problem is that they don't produce metal. So they take what comes in from all over the world, and they probably want to preserve that capacity.

To come back to your question, I would say yes, it would be very wise to reintroduce that requirement.

Mr. Simon-Pierre Savard-Tremblay: Thank you.

Mr. Kingston, from the Canadian Vehicle Manufacturers' Association, I'll turn to you.

At the last meeting two days ago, representatives from Electric Mobility Canada called for the introduction of green tendering for public contracts. We're all familiar with the problems caused by American protectionist legislation. We know that when it comes to international trade law and free trade agreements, it's very complicated to say that Canada is simply exempt. It's even extremely complicated to have a North American exemption because the Canada-United States-Mexico Agreement, CUSMA, does not contain a chapter on government procurement, whereas the North American Free Trade Agreement, NAFTA, did.

According to a study by the Université de Sherbrooke, calls for tenders based on environmental criteria would pass the legal test with respect to free trade rules. Is that a path you support?

[*English*]

Mr. Brian Kingston: I'm sorry. The translation stopped there.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Is there anything in particular you would like me to repeat?

[*English*]

Mr. Brian Kingston: It's just the very end.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I was asking you if that was a path you'd be prepared to support. It seems that green tendering and environmental tendering would pass the legal test.

[*English*]

The Chair: I'm sorry, Mr. Savard-Tremblay. We're going to start this over again, so repeat your question. We're going to give you the time.

Start again.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Kingston, I was telling you that we had representatives from Electric Mobility Canada at the last meeting two days ago. I was also saying that, unlike NAFTA, CUSMA doesn't have a chapter on government procurement. So there couldn't be an exemption for Canada, although there was one under the Obama administration. Now it's no longer possible.

If memory serves, in the previous Parliament, our committee studied the issue of green technologies and initiatives. According to a study by the Université de Sherbrooke and according to researchers, a call for tenders based on environmental criteria would pass the test of free trade rules. Is that something you could support so that we could benefit from American markets and, of course, implement it here at home?

• (1725)

[*English*]

Mr. Brian Kingston: Thank you. That is a great question.

First and foremost, with any policy we take with respect to green tendering, particularly for the government sector, we have to make sure that we're compliant in the context of CUSMA. As we approach the review in 2026, we need to remove any possible irritants for the United States to ensure that we get through it successfully and that the agreement does not sunset. It is very important to remain compliant with our existing trade rules.

However, I think there is some merit to examining ways, particularly for procurement and public procurement of green products, including electric vehicles.... The federal government has committed to greening and electrifying the federal fleet and has made very slow progress in doing that, and this is where we should be leading. We should be leading EV adoption in federal fleets. Anything that can be done for programs that can encourage and accelerate that, as long as they're compliant with trade rules, would be helpful.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Should we also push for that in Washington?

[English]

Mr. Brian Kingston: Yes. The reality is that we have always had challenges with the U.S. and “buy America” policies. There have been great, valiant efforts by federal and provincial governments to try to open those up to Canadian products. We should always push for that, but we also have to be realistic. There will always be a protectionist sentiment that favours U.S. products and goods.

It doesn't mean we shouldn't try, but it's the reality of dealing with that market.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Desmarais or Ms. Cobden, do you want to add anything about this type of call for tenders?

Mr. François Desmarais: Yes, of course.

We believe it would be beneficial for us, our members and our local producers if the federal government's calls for tenders contained certain measures or technical criteria regarding the carbon footprint of the steel purchased to respond to these calls for tenders.

Mr. Simon-Pierre Savard-Tremblay: Very well, thank you.

Mr. Burton, if I'm not mistaken, you're an expert on China. At our first meeting on Monday, we talked about industrial espionage. I'm surprised that we're not talking about it more, since some cases have been documented or proven. There may be the impression that this is just the tip of the iceberg. We can't say it for sure, but we can say it with some confidence. If we know some of it, there must be a lot more we don't know. In fact, we know that a spy at Hydro-Québec was caught at one point.

From the moment we know that a country is engaging in industrial espionage, we can hardly use the argument that tariffs would harm healthy competition, especially if we know that the country in question isn't practising healthy competition.

[English]

Dr. Charles Burton: Well, I mean certainly I think the Chinese regime is trying to get it in all directions, and part of it is their per-

vasive use of industrial espionage or the use of other programs such as inviting to China scientists who have expertise relevant to Chinese government priorities and giving them different benefits, such as maybe putting them on boards to monetize their scientific achievements.

You know, there's an enormous Chinese diplomatic cohort here in Canada, much larger than those of other comparable nations. One assumes that Chinese diplomats are as efficient as any others in our country and that a lot of those people are in fact coordinating targeted espionage to get technologies that would benefit China's rise.

I think we do have a lot of concerns about the overall Chinese strategy of subsidizing EVs to serve various Chinese regime interests. Xi Jinping has a program called the “community of the common destiny of mankind” and his belt and road economic program, which they're quite explicit about. They want to make China the dominant power on the planet and reduce the authority of liberal democratic institutions like the UN and the WTO. He hopes to achieve this as soon as 2050.

Putting the subsidies into the EVs does address China's problem of needing to have overcapacity to keep their economy going. It's useful for them to weaken our economy by displacing the critical industries that are so important to our economy and enabling espionage. I mean, this is all part and parcel of it.

The other concern we have, which was briefly raised, is that we could have problems bringing in these vehicles because of the recently strengthened forced labour legislation and the reports by, say, the Australian Strategic Policy Institute that suggest the critical minerals in those batteries are the product of Uyghur forced labour.

● (1730)

The Chair: Thank you very much, Mr. Burton.

We'll move on to Mr. Cannings for six minutes, please.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

Thank you to all the witnesses here today. It's been a very interesting conversation.

I'd like to concentrate on talking about EVs and the impact these tariffs might have on our EVs that are available in Canada especially. I'm going to start with Mr. Kingston.

This whole thing reminds me of back when I was young, a long time ago in the late 1960s and early 1970s, when the North American auto workers were making big, gas-guzzling cars, and of what students like me were forced to buy. I drove an Austin 850, and my girlfriend drove a Honda Civic. That's when they were small little things. That competition, especially in the seventies, when gas prices went up, drove the North American manufacturers to follow suit and produce those kinds of cars.

Here, we have a situation where the world is shifting to EVs, yet it seems like the North American market is just dragging its heels and will have to be dragged kicking and screaming to do anything about it. Perhaps, Mr. Kingston, you could tell me what affordable EVs your members make—in all of North America, not just Canada, because I know everything's integrated—and I mean under \$40,000.

Mr. Brian Kingston: First, I would just say that I think it's a very different situation from what we saw in the seventies. North American auto manufacturers are building EVs. There are over 80 models in the market. That's an increase from three models in 2012. They're here, and they're available in every segment.

The competition that is coming in from China is not being done on a level playing field. They're subsidizing their manufacturers to the tune of nine times what you see in western democracies. This isn't a fair playing field. That's why they bring these vehicles in at a price point that is so significantly lower than what you see in North America.

Mr. Richard Cannings: For the ones that are available in Europe, there are relatively inexpensive EVs available. Are they all made in China?

Mr. Brian Kingston: Yes, Chinese manufacturers went from virtually zero market share in Europe.... They went to about 8%.

Mr. Richard Cannings: I'm talking about Citroën, Renault and Volkswagen.

Mr. Brian Kingston: It's a very different car market in Europe, as most Europeans drive smaller vehicles. The North American market is dominated by SUVs and pickup trucks, larger vehicles with larger batteries and, therefore, larger price points at this point in the transition.

Mr. Richard Cannings: Okay.

I'll turn to Mr. Wallace.

Perhaps you could comment on what your recommendations are to.... What I really care about is having EVs widely available in North America—Canada especially—at a price point people can afford. I went shopping for EVs this summer, and even for someone of my means, the prices were mind-boggling, so Mr. Wallace, perhaps you could suggest what could change that and do so quickly. We have to make this transition.

Mr. Nate Wallace: The auto industry will often talk out of both sides of its mouth on this issue. They'll say we need these very high tariff walls to make sure these small, cheap electric vehicles can't just come in and completely take over the market, and then they'll say, actually, we don't offer those vehicles in North America because they don't sell. Which one is it?

In Europe there is some degree of Chinese competition. I'll quote the Stellantis CEO, Carlos Tavares, who asked investors in February 2024, as they were introducing a budget EV model in Europe:

Do we want that the Chinese carmakers take a significant share of the U.S. market in the next 20 years, or the next 10 years?

He asked:

How do we prevent that from happening beyond all the protectionist decisions, which are out of my reach? Well, by making our consumers happy.

There are the Stellantis Citroën ë-C3, available in Europe as of this year, at a price of 23,300 euros, which is about \$34,000 Canadian; the Stellantis Fiat Panda, also in a similar price range; and the Renault 5 E-Tech. I have a whole table of these models that are being introduced in Europe by incumbent automakers who, whenever they are interviewed by publications like Bloomberg or others, and when they are introducing these models, say they're doing it to fend off the threat of Chinese competition.

What we worry about is that if we take an approach that completely shuts out competition rather than establishing a level playing field based on an actual subsidy investigation, we risk continuing the pattern of very high prices for electric vehicles in North America relative to in other markets like Europe.

● (1735)

Mr. Richard Cannings: Okay. I'll just give you a bit of a chance to talk about the future, including used car markets and how governments can help those.

Mr. Nate Wallace: If you look at where Canadian car buyers actually buy their cars, mostly low- and middle-income consumers buy used vehicles. In most cases, they don't buy vehicles brand new. We don't actually have statistics for the Canadian market, because StatsCan doesn't collect those, but if you look at U.S. statistics and U.K. statistics, you're looking at about 80% of vehicle purchases being done in the used vehicle market.

Something we don't do in Canada is to have our EV purchase incentives actually go to the used vehicle market, where we could actually start helping those folks get access to more affordable EVs.

There are a number of things we could be doing to help foster the used EV market in Canada. I realize we're out of time, but I can follow up on that if anyone else has questions about that.

The Chair: Yes. Thank you very much.

We're moving to Mr. Jeneroux for five minutes.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thank you, Madam Chair.

Thank you to everybody joining us here today in the room, and to those online, for taking time out of a Wednesday afternoon or early evening to spend it with us.

Mr. Burton, I thought some of your testimony at the beginning was quite interesting and even bordering on shocking in terms of what lies ahead. Canada, in the past, has banned Huawei and TikTok over data privacy concerns. Are you suggesting that the same action should be taken with companies like BYD and other Chinese vehicle importers?

Dr. Charles Burton: I am, because I don't think there's any way we can prevent these things from being used for hybrid warfare-type purposes.

As the Americans pointed out, when the time comes, we could see a lot of things happening to infrastructure that the Chinese regime has been able to penetrate.

I think, in general, from talking to my friends in the United States, the U.S. is talking about the dumping aspect of EVs in their rhetoric about the tariffs, but the main concern is the security concern. However, if they raise the security concern explicitly with the Chinese, that would probably stimulate worse retaliation on the part of the Chinese regime than the dumping allegations would. There is going to be retaliation. China will not allow us to do this without trying to exact some kind of cost. The question is how bad it will be.

Mr. Matt Jeneroux: That leads into my next question.

China has signalled its intention to take this matter to the WTO. What possible legal challenges could Canada face at the WTO, and what effect might this have on future trade policies?

Dr. Charles Burton: It is very concerning because, like so much of China's malign activities here in Canada, including the ongoing foreign influence and their espionage operations, it's very hard for us to come up with solid evidence. In other words, we're never going to be able to produce a Huawei 5G that's actually been used for espionage. They're not doing it yet. With the EVs, as I think people like Dick Fadden have said, it's a potential. It's not actually there right away.

As to how we can defend ourselves at the WTO, I'm not familiar enough with these kinds of national security provisions that would allow us to evade action by the WTO that would rule in favour of China on this. China, of course, insists that it doesn't subsidize them and that they're simply a result of Chinese ingenuity, that China is able to produce a superior product at a lower price. From what I read, they are excellent, those Chinese subsidized EVs. Taxi drivers in Spain think they're the best thing going.

• (1740)

Mr. Matt Jeneroux: How does the tariff decision then fit into the broader geopolitical context of Canada's foreign policy? What's next? There is an election in the United States ahead of us. You kind of alluded to where we're going. Where's your gut saying this is going to end?

Dr. Charles Burton: I would prefer that we simply ban Chinese EVs on the security grounds. I think the tariff could lead to more problems. You're imposing a 100% tariff. Obviously, the idea is that no Chinese EVs will come into Canada. I think that's great. I'm just not sure that the mechanism in terms of diplomatic norms and how the Chinese will take it is best going this particular route.

Mr. Matt Jeneroux: I'd like to pose the same question to Mr. Simard online.

How does this tariff decision fit into the broader geopolitical context of Canada's foreign policy, and what do you anticipate is next?

Mr. Jean Simard: First of all, let me add that on the largely subsidized electric vehicle, you have to factor in the subsidies on the aluminum and steel that go into these vehicles. When you're talking about the geopolitics, you have to look at it in a very holistic way. Right now, China has to deal with what they are going to do with the metal that's going into the cars that will not be going into North America in the future. This probably raises the stakes for them in terms of retaliatory scenarios, and it spreads to other things.

I think they're going to have to measure the extent to which they want to commit to retaliation. If they go for agriculture products, well, they need those products. It's measuring through time the impact you're willing to submit yourself to and the effect of what you're trying to submit the other to. Canada's been pretty good, as we've seen in the past.

The Chair: Thank you very much, Mr. Simard.

Next is Mr. Sidhu for five minutes.

Mr. Maninder Sidhu (Brampton East, Lib.): Thanks, Madam Chair, and thanks to our witnesses for coming today on this very important study.

Mr. Kingston, you mentioned in your opening statement the importance of Canada aligning with the U.S. in terms of their mandates in regard to the EV sector. It's very interesting. California has a very similar population to what we have here. The mandate that they passed in 2022 requires 35% of new passenger cars, trucks and SUVs sold in the golden state to be electric or hydrogen-fuelled by 2026 and 100% by 2035. Here in Canada, the mandate we have brought forward is 20% by 2026, 60% by 2030 and 100% by 2035, which is exactly what California has mandated.

Can you shed some light on this? I think we're very aligned, but you were saying in your opening statement that we're not very aligned with them.

Mr. Brian Kingston: Yes. Thank you.

Canada has always—and this is really going back to the auto pacts in the 1960s—aligned with the federal U.S. on the range of automotive standards, including emissions standards. The U.S. federal government is trying to reduce the emissions of the on-road vehicle fleet and encourage electrification by ratcheting up those standards and making them tighter and tighter. Canada has always followed that approach. There's been a departure under this government in going forward with an EV mandate, which dictates which vehicles Canadians can and can't buy. That's a different approach. Yes, it is aligned with California, but we don't need to align with California. It's a single state. We need to align with the U.S. federal government. It is a departure. It's a significant departure, and it is very problematic.

• (1745)

Mr. Maninder Sidhu: I think Mr. Wallace may want to shed some light on this as well.

Look, the California market is a very large market in the U.S., one of the largest markets, with a population of 39 million. We have roughly the same.

Mr. Wallace, go ahead.

Mr. Nate Wallace: I would say we will most likely be aligning with both: the federal GHG regulations, which the Biden administration published over the past summer, and the ZEV regulation, which California has, as do about 15 other U.S. states that align with the California rule. As a matter of fact, the most recent U.S. federal rule, published by the Biden administration, actually incorporates analysis of ZEV uptake increasing as a result of the California rule. It's essentially embedded in the U.S. federal rule.

I would not say that Canada's actually being able to meet its EV sales targets as a result of this regulation is aligning with the U.S. at all. I wouldn't say that statement is true.

Mr. Maninder Sidhu: Mr. Kingston, here in Canada our federal government has many incentives in place to make sure EVs are more accessible. The data shows that the provinces that also have EV rebates have a higher take-up in EVs. The investments our government is making, whether in Stellantis, Volkswagen or, as recently announced, Honda, with a record \$15-billion investment in the North American automotive industry, are really making an impact by bringing EV production here to Canada.

Perhaps you can speak to the importance of having EV manufacturing here in relation to innovation and access for Canadians.

Mr. Brian Kingston: Sure. It's been a huge success over the past four years. We're now at about \$46 billion in new investment into the automotive sector in Canada, in everything from battery manufacturing cathodes through to final vehicle assembly. This is a huge advantage for Canada. I think the biggest economic opportunity is in developing our critical minerals mining capacity. It relates to what we're talking about today. We are highly dependent on the Chinese EV battery supply chain. Canada happens to have every mineral needed for advanced batteries. If we can get that part of the supply chain right, I think we will be well positioned for decades to come in this sector as part of an integrated North American industry.

Mr. Maninder Sidhu: You're right. We're one of the only countries in the western hemisphere to have every single element required to make an EV battery. I was up in Whitehorse recently, and I learned a lot of this from the premier there.

How much time do I have left?

The Chair: You have 30 seconds.

Mr. Maninder Sidhu: Okay. This is a very detailed question, so I'll just say thank you again for coming.

The Chair: Mr. Savard-Tremblay, go ahead for two and a half minutes, please.

Please indicate if there's a problem with translation. Please immediately raise your hand.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

Mr. Burton, you ended your previous intervention by mentioning materials and goods produced from forced labour. I put a question on the Order Paper last year asking for the total value of what had been seized. The only cargo seized was under a decision that was subsequently overturned. In the end, nothing was seized over time, whereas in the U.S., the value is at several million dollars. In the U.S., the burden of proof is on the importer, but under Canadian law, it's on the customs officer, as if the use of forced labour were going to be noticed by flashlight during an inspection.

Do you see a problem with the legislation? Is there some kind of gaping hole the size of the Grand Canyon?

[*English*]

Dr. Charles Burton: I think it's the implementation of the legislation that has been problematic. In one case, some clothes that were seized, alleged to have been using Chinese cotton produced by forced labour, were eventually released. The determination was that there wasn't justification for withholding those on a forced labour basis. As you say, other countries are seizing a lot of stuff from China by identifying the forced labour and putting the responsibility and incumbency on the importer to demonstrate that there is no forced labour involved.

I feel a lot of regret that Canada is so far behind on this, but this is perhaps characteristic of Canada's being behind other nations in terms of recognizing Chinese malign activities and coming into compliance with the United States, the U.K., Australia and so on in forming legislation and regulations and practices that meet the challenge. We need to put many more resources into our intelligence and CBSA to try to realize the will of Parliament to stop these kinds of activities from occurring.

We'll face the same thing with Bill C-70. It's nice legislation, but will we be able to implement it effectively?

• (1750)

The Chair: Thank you very much.

Mr. Cannings, you have two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I'll continue with Mr. Wallace on the theme of how, if we're going to put on these 100% tariffs to exclude these cheaper EVs from the North American market, we can continue the trajectory of getting more EVs sold in Canada. When I look at where Canadians are buying EVs, it's mainly in British Columbia and Quebec. From what I understand, a lot of that has to do with the incentives there and the regulations about matching the California kind of regulations.

I'm just wondering what more we could do in those spheres. Putting aside keeping China out of the market, because that seems to be what we're doing, how can we get people to buy EVs and basically force the automakers to provide them? We need to have them available and have the infrastructure there to drive them.

Mr. Nate Wallace: I would say you're absolutely right. The reason Quebec and California and British Columbia all have the highest ZEV penetration rates, with the highest amounts in Canada being sold in those jurisdictions, is that they have their own version of Canada's electric vehicle availability standard, which was recently introduced for the 2026 model year. Our modelling has shown that if you look at how automakers would respond to that measure alone, it would essentially force them to bring more affordable models to the market. Our modelling, which we did with an academic at Simon Fraser University, predicts that prices would decline by about 22% below the baseline price trajectory by 2035.

Then again, I think it's important to recognize that we need additional policy measures to continue making EVs more affordable, in particular in the used vehicle market, where most people make their vehicle purchases. I think expanding the incentive to that market is one tool. If we look at things like requiring automakers to provide standardized EV battery health information, that's one way to actually help foster the used vehicle market. People don't actually know how degraded their battery is and that sort of thing, which makes it difficult for the market to price it. It's also looking at corporate car fleets and increasing the turnover of new vehicles into the used vehicle markets. There are some institutional buyers, like rental car companies, that buy a whole lot of new vehicles and sell them into the used vehicle market. They would be key drivers of used EV supply, potentially, if they could be encouraged to purchase more EVs.

The Chair: Thank you very much, Mr. Wallace.

We will move on to Mr. Baldinelli for five minutes.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Thank you to the witnesses for being with us this afternoon.

Ms. Cobden, thank you again for appearing. On Monday we had Marty Warren here from the United Steelworkers. When he spoke to the committee, he essentially indicated that if we do not figure

out how to stop Chinese dumping, then every job in our steel sector is at risk.

Would you agree?

Ms. Catherine Cobden: Yes, this is, again, why we think it is so crucial that section 53 be added into the mix. Unfortunately, regrettably, the trade remedy regime is not structured to deal with these unprecedented times and the surge of imports into our country.

The steel sector fights the good fight in Canada every day. As François reported in some of his French responses, we have seen a significant decline of our market share year over year. When you look at a longer period of time, that decline has been significant, so we need new tools in the tool kit. The world has changed. We must keep pace. It doesn't mean that we don't believe in free trade, but we absolutely must have a level playing field.

• (1755)

Mr. Tony Baldinelli: Thank you.

You and Mr. Kingston mentioned the need for alignment with our largest trading partner, the United States, as our economies are so highly integrated.

We don't operate in a vacuum. There are other policy issues, other areas and programs. For example, there is the Inflation Reduction Act in the United States. You have spoken to us before with regard to that and the impact that would have. We're talking about \$390 billion injected into the U.S. economy in areas such as steel. You've talked to us about how the U.S. position is an enabling approach, for example, as opposed to Canada, where it's a carrot-and-stick approach.

What is the impact of the carbon tax, because there is no carbon tax in the United States? What is the impact of the carbon tax on our steel industry here? Also, what is the direct impact on possible job losses?

Ms. Catherine Cobden: The impact on carbon tax is growing. We have been very clear with all stakeholders, with the government, with opposition parties and many other stakeholders that the steel industry is vulnerable.

We're in a very special situation in the steel sector. I've tried to describe as well as I can the high degree of trade exposure we have as well as the competitiveness risks we face. Also, we're a large emitter, despite our efforts to be decarbonizing as fast as possible. This is not something we can do quickly. Unfortunately, given the scale of investment required and the fact that there are significant solutions that are outside of our grasp and not available yet, we need some space and time to get there.

To answer your question on the carbon pricing regime, we're well recognized in the regime in terms of being trade-exposed and being at high risk of carbon leakage, but we must be sure that the exposure we face with respect to price and stringency is managed. Before carbon pricing existed, we couldn't compete with unfair traders. Now, with carbon pricing and the escalation of the price and the reduction of our trade protections, we're starting to have trouble competing with fair traders and with others in our market.

Mr. Tony Baldinelli: Thank you.

I'm going to go to Mr. Kingston now.

Brian, in your comments you talked about two themes. One was the notion of alignment with our largest trading partner, the U.S. You also spoke about the time that's needed to establish that supply chain in Canada.

For example, we've seen decisions with regard to Ford and the initial investment decision in Oakville, which they put on pause until 2027. Here, in my community alone, just close to me—next door to me—is St. Catharines. I used to work at that GM facility. They made the announcement in 2023 to make up to 400,000 EV units there, yet they put that on pause. Can you provide a reason that those decisions were taken?

Mr. Brian Kingston: Sure. I hate to state the obvious, but in some of the conversation and comments from my colleague from Environmental Defence, there seems to be a key misunderstanding about how the free market operates. Automakers build vehicles that consumers want. If they don't, they go out of business. It's different in China, where you can have state-subsidized manufacturers who don't need to make a profit and don't have to respond to shareholders, but that's not how it works in our economy.

What you're seeing right now is that automakers are taking the temperature of the market. We've seen demand going up and down with respect to EVs. They have to meter out their investments and ensure that what they're bringing into the market will find customers willing to purchase them. That's why you're seeing a bit of a rocky road right now towards those targets.

The Chair: Next, we have Mr. Miao.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair, and thank you to all the witnesses for being here today and online. Welcome back, Mr. Kingston.

In your remarks, Mr. Burton, you talked about an EV car being like a computer on four wheels, and the safety that comes with it. With the current tariff on Chinese EVs, would this help preserve the country's long-standing national security framework?

● (1800)

Dr. Charles Burton: We don't have those Chinese EVs here, and that's a good thing. I hope we never get them. That proposed tariff, I imagine, would certainly achieve that end. China's very keen to have those things running all over Canada for the reasons I gave. I think we're giving a pretty clear message to the Chinese that that's not happening.

Mr. Wilson Miao: You mentioned that there are no Chinese EVs here. From my understanding, and Mr. Kingston, you can correct

me if I'm wrong, many of the Teslas that are being imported into Canada are actually made in China right now. Is that right?

Does that pose a threat to our national security?

Dr. Charles Burton: I'd be more concerned if the software updates and information were going to China as opposed to wherever Tesla operates. I have more confidence in Tesla than in a Chinese state or Chinese Communist Party-dominated business. I don't know if Tesla has Chinese Communist Party branches in its manufacturing facilities, but my main concern is the potential access of Chinese intelligence to the data.

Obviously, Tesla, Google, and all these companies gather a terrific amount of data that is used by them, but they are not regimes that are preparing to engage in a hostile confrontation with the west over, say, Taiwan or the South China Sea, and would use the potential of EVs in our country to serve their geostrategic aims.

Mr. Wilson Miao: Thank you for sharing that.

Mr. Kingston, can you add your comments to that?

Mr. Brian Kingston: You're correct. The vehicle surge that we saw in imports of Chinese EVs, an increase of about 2,500% year over year, was largely Teslas manufactured in Shanghai. The reason was that the Inflation Reduction Act put in place requirements around your ability to qualify for a credit.

Vehicles manufactured in China could not receive those purchase incentives. Therefore, the sourcing for the Canadian market switched to Shanghai, because Canada had no restrictions on its incentives. In fact, over \$150 million went to Chinese-manufactured EVs through our purchase incentive program.

Mr. Wilson Miao: Can you share with the committee more on what kind of brand made in China is in Canada right now?

Mr. Brian Kingston: At the moment, there is nothing. There were Teslas coming in, and some small volumes of Chinese-manufactured Volvos, but very small numbers of vehicles. There are no Chinese manufacturers that currently sell or were selling in Canada.

Mr. Wilson Miao: What about BYDs? My understanding is that in Ontario, there are a few vehicles manufactured by China in the bus category.

Mr. Brian Kingston: Yes, that's correct. BYD has a facility in the GTA, but it's in the medium and heavy duty category. There were some BYD vehicles in Quebec through a taxi arrangement at one point. There are some vehicles, but very small numbers.

Mr. Wilson Miao: I know that in previous conversations, and with regard to my private member's bill on the right to repair, there can be potential threats where data is being captured away from the manufacturers themselves.

Is that correct?

Mr. Brian Kingston: Yes, vehicles are becoming increasingly connected and are highly dependent on sophisticated software. As we had discussed in the context of theft, it's very important to keep that information secure to ensure that the companies are subject to Canadian privacy and data security laws. Hence, the comments from Mr. Burton are so important. We can't necessarily be guaranteed that when we're talking about a manufacturer that is, perhaps, state-controlled.

Mr. Wilson Miao: I want to move on to subsidizing EVs in our country. What kinds of recommendations or suggestions does any witness have to allow us to have a better transition to EVs?

Mr. Brian Kingston: If we want to achieve the sales targets that have been established by the government, we need purchase incentives, because there is a price gap. Consumers aren't willing to make the switch if we don't get to price parity. We're just not there yet.

The Chair: Thank you very much.

Mr. Williams, go ahead for five minutes.

• (1805)

Mr. Ryan Williams: Thank you very much, Madam Chair.

Mr. Kingston, how many jobs are there in the auto industry, directly and indirectly?

Mr. Brian Kingston: There are 135,000 in direct employment and 500,000 when you add in all the indirect...supply chain, dealership and auto repair.

Mr. Ryan Williams: Given our integrated trade relationship with the Americans, how many of those jobs are dependent on that trade relationship?

Mr. Brian Kingston: It's virtually all of them. Over 90% of what we produce goes into the United States.

Mr. Ryan Williams: We talked about this already today. We heard about an EV mandate that the Liberals have placed: All vehicles sold in Canada must be electric by 2035.

I want you to set the record straight. Do the Americans have a mandate to do the exact same thing?

Mr. Brian Kingston: No, they do not.

They are using emissions standards. They are tightening those emissions standards. Then it's up to the automotive industry to achieve those through a range of technologies. They are not mandating a ratio of EV sales.

Mr. Ryan Williams: They have a goal. Is that correct? Is a goal a mandate?

Mr. Brian Kingston: No.

Mr. Ryan Williams: We heard they have a goal.

Certainly, we talk about an integrated auto industry wherein almost every job in Canada is dependent on the Americans. If we go forward with the mandate.... I'm going to take one example. We had one manufacturer we heard from the other day—one of yours, I believe. It is a Ford facility that is switching away from EV to gas-powered vehicles.

Why are they switching to gas-powered vehicles, away from EV?

Mr. Brian Kingston: You have to build what the market demands. That's fundamental. If consumers are demanding certain types of gas-powered vehicles, manufacturers have to build those vehicles to satisfy them and remain profitable.

Mr. Ryan Williams: Is part of that because of the cost of them, as well? Is it the fact that we don't have an integrated supply chain and don't produce or mine the critical minerals needed? Is that correct?

Mr. Brian Kingston: That's part of it.

We don't have price parity between gas-powered vehicles and electric vehicles, particularly in North America, where people love and drive pickup trucks, trucks and SUVs. They require larger batteries. A larger battery is much more expensive. We are not at price parity. As a result, it's a challenge for consumer demand.

Mr. Ryan Williams: I'm the shadow critic for competition, as well. We talk about competition in grocery, airlines and cellphones.

Tell us why the Chinese industry would not be in fair competition with the Canadian or North American automotive industry.

Mr. Brian Kingston: Simply put, it's because they subsidize their industry to levels that would be unheard of in any OECD country or western democracy. I mean, the estimates are to the tune of anywhere from five to nine times as much as the types of subsidies you see in the U.S. or Canada. That's what drives the prices as low as they are.

Mr. Ryan Williams: We believe in real competition, but it has to be fair. This is unfair competition.

Is that correct?

Mr. Brian Kingston: That's correct. North American manufacturers can compete with anybody, but we need a level playing field.

Mr. Ryan Williams: To get down to the nitty-gritty of this, we can look at trade relationships with the Americans. We already have some strained parts of that trade relationship.

If we continue with the mandate, does it threaten those jobs in Canada?

Mr. Brian Kingston: It absolutely does. The most recent estimates from IHS suggest that the mandate will shrink the Canadian new-vehicle market by up to 20% by 2035. There's a new paper out from the University of Guelph that is basically a partial equivalence analysis of the mandate. If EV technology does not drop and get to price parity by 2030, they're forecasting the destruction of the automotive industry. That's what the mandate will do.

You cannot force a technology that consumers aren't ready for.

Mr. Ryan Williams: Can you submit that report to the committee, so we have a copy of it?

Mr. Brian Kingston: I'd be happy to.

Mr. Ryan Williams: Thank you, sir.

Mr. Burton, you talked about the problem with data in Chinese vehicles—surveillance devices on wheels. We banned Huawei and TikTok, at least from federal phones and among MPs, because of those concerns.

Why is the Canadian government waiting so long to ban these vehicles, if we have concerns about data?

Dr. Charles Burton: I don't know.

The Americans have some pretty good information about these concerns, which I'm sure they have conveyed to our intelligence services and collaborated with us on. However, we have an issue in our country with advice being given by CSIS and other agencies such as CSE: It is going to the centre of our government but doesn't seem to be responded to.

The Chair: Thank you very much, Mr. Williams.

I have eight seconds.

Mr. Ryan Williams: Do you recommend that we ban these vehicles based on that concern of the data? Yes or no?

• (1810)

Dr. Charles Burton: Yes.

The Chair: Ms. Fortier, you have five minutes please.

[*Translation*]

Hon. Mona Fortier (Ottawa—Vanier, Lib.): Thank you, Madam Chair.

Thank you to all the witnesses for being here today.

Ms. Cobden, I want to drill down on an issue you raised earlier. Perhaps Mr. Desmarais would like to comment as well. It's the whole issue of the price on pollution, the price on carbon. We know it's important to make a transition to decarbonization in order to go green. However, I understand that there are market pressures.

I would like to compare the situation in Ontario with the one in Quebec. Are there any measures that should be favoured? I'm thinking about how the federal government reinvests in Ontario. That's important. I think it gives you the means to make this transition. However, in Quebec, we know that another system exists.

What measures do you favour that we can draw on to continue focusing on the transition?

[*English*]

Ms. Catherine Cobden: I have to make sure I got all that.

Unfortunately, it's very difficult for me to hear the French, so I will make sure that I've understood you perfectly.

[*Translation*]

Hon. Mona Fortier: Mr. Desmarais, you can answer as well.

[*English*]

Ms. Catherine Cobden: There are differences in the practice as well.

[*Inaudible—Editor*] structure of the carbon pricing regime is that the federal system is the backstop, and then each province in Quebec and Ontario and elsewhere has its own regime.

Our experience is stronger with the Ontario system, where we do encourage the province to maximize flexibilities under the OBPS. However, there is always the concern that the federal backstop will be triggered, so it is a challenge to do so.

If I understood your question correctly, you're asking where we have some lessons learned. I would say our strongest lesson learned is in the opportunities to see real decarbonization efforts through programs like the IRA. Canada has adopted some components of the IRA but not to a level that we would benefit to the same degree that they are benefiting. Then, of course, we have the overlay of a carbon pricing regime that, as I've mentioned, does affect the steel industry, given our vulnerabilities. We are working to try to minimize that effect and hope to achieve that. Essentially, though, that would be the difference between what's going on. On the IRA program, I think there's lots of information about it, but we would be happy to provide more detail.

[*Translation*]

Hon. Mona Fortier: Mr. Simard, do you have any comments on the question I asked Ms. Cobden? Maybe you could give us the steel industry's point of view.

Mr. Jean Simard: The aluminum industry is 90% in Quebec and 10% in British Columbia, two different carbon pricing regimes. In British Columbia, it's a carbon tax, whereas in Quebec, it's a cap-and-trade system for greenhouse gas emissions. We remain very supportive of the Quebec carbon market, which allows the industry to seek reductions at the best possible cost. It's a market, so it's very efficient.

We're moving towards a world that will increasingly seek to decarbonize. The U.S. Inflation Reduction Act is an American-style way of doing that. What is behind this legislation—and we must not forget this—is that the U.S. administration, at least the one currently in place, is in the process of benchmarking its carbon indicator for large products such as steel and aluminum, and therefore establishing a carbon reference system in order to manage products from abroad. This mechanism isn't a replication of the European system, it's very different, but it's somewhat of an American replica of what Europe has put in place.

Our industry in Canada is at the crossroads of these two systems. With our carbon footprint, which is the lowest in the world at two tonnes of CO₂ equivalent per tonne of aluminum, we are winners in both cases. So for us, it's a tried and tested system.

• (1815)

Hon. Mona Fortier: Thank you, Mr. Simard. I'm sorry, I said “steel”, but I meant “aluminum”.

[English]

The Chair: We'll go to Mr. Savard-Tremblay for two and a half minutes, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

Mr. Burton, let's continue our discussion, if you don't mind. You said earlier that, all things considered, there were many more Canadians and Quebeckers who were politically or economically linked to the Chinese Communist Party regime. I think that's probably true. However, you also said that it was impossible to verify.

We know that, in reality, a number of companies are fronts used by Chinese companies to hide their true identity. We also know that China is an empire that is progressing extremely skilfully and effectively, but no less ferociously.

Couldn't information from public sources help establish, for example in Crown corporations, better verification and due diligence measures? I'm throwing out some ideas, but do you have any ideas to help us ferret out these companies?

[English]

Dr. Charles Burton: With Bill C-70 there does seem to be more provision for CSIS to be able to advise elements outside of CSIS of information they have derived from intelligence about Chinese espionage activities and other ways that China is engaging in activities to obtain intelligence and undermine our democracy.

It's a very complicated issue. I think the Chinese government would like to drive a wedge between Canadians of Chinese heritage and the Canadian mainstream by on the one hand creating suspicion about Chinese researchers—that they might be collaborating with China—and on the other hand wanting to get persons of Chinese origin, who are Canadian citizens and therefore should be loyal to Canada only, to serve the Chinese interest in various ways, particularly if they have access to information that could serve the regime. There's a degree of coercion that's used if these people have family inside China who can be leveraged by the Chinese Communist regime.

It's a serious issue. I think we should be doing much more to expel agents of the Chinese regime under diplomatic cover who are coordinating this massive approach through the Chinese Ministry of State Security and the Chinese Communist Party's United Front Work Department.

I suspect that our intelligence agencies know a lot about these agents and people but that we are reluctant to expel diplomats even if they're engaged in activities inconsistent with their mandate as diplomats under the Vienna Convention. I'm just puzzled as to why we don't address this issue much more seriously and protect our Canadians of Chinese origin from harassment and coercion by a foreign state.

The Chair: Thank you, Mr. Burton.

We'll move on to Mr. Cannings for two and a half minutes.

Mr. Richard Cannings: Thank you.

I'm going to stay with Mr. Wallace.

I just wanted to add in, just to clarify about the states that have the ZEV mandates, the increasing things as Canada has, as British Columbia, etc., do: It's not just California. It's Washington, Oregon, Colorado, New Mexico, Maine, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey, New York, Delaware, Maryland and Washington, D.C. That's half of the American market right there who have these mandates. They don't seem to be worried too much.

There's a question I want to ask. In our last meeting we had a couple of witnesses suggest that since this tariff is ostensibly put in place to protect the North American market while we build this very important electric vehicle value chain and the whole system behind that, there should be some sort of phased-out part to it so there is some incentive for competition. You're suggesting that we should have lower tariffs to start with, but what about having a phased-out thing, starting with 100%, but moving year by year and ratcheting those tariffs down so there's some incentive for the North American market to actually do what we need it to do?

• (1820)

Mr. Nate Wallace: I would say that we would support a time limit to the tariffs or some sort of differentiation based on the year.

I think it's important to recognize the reason Chinese electric vehicles are cheaper. Of course, labour standards play a part of it. Subsidies play a part of it. Again, we also subsidize our industry.

One of the reasons they are cheaper is mainly that they're ahead of us technologically. I think it would be hubris if we didn't actually reckon with that.

One of the only incentives for having western automakers actually catch up is if they eventually will have to compete one day. Therefore, having some sort of time limit, I think, would ensure that legacy automakers.... They have a production bias for gasoline vehicles because those make them significantly higher profits. If it were up to them, they would want to delay the transition as much as possible to keep making those profits—

The Chair: Thank you, Mr. Wallace. I'm sorry. Somehow, I always end up having to cut you off.

Mr. Baldinelli, you have five minutes, please.

Mr. Tony Baldinelli: Thank you, Madam Chair.

I'm going to go to Mr. Burton.

Last week, Dave McKay, CEO of the Royal Bank of Canada, spoke to the Canadian Club of Ottawa. According to the Financial Post, he's quoted as saying, "We are out of sync with the U.S. If you think about what the U.S. needs, it actually lines up really well with what we are good at; we are just not getting it done. The U.S. needs less rhetoric from Canada and just more getting stuff done."

Would you agree with this view, particularly as it stands not only as an approach to creating our integrated EV supply chain and market but also as it impacts other policy areas that might ultimately impact our negotiations with the U.S. and Mexico and CUSMA?

Dr. Charles Burton: Yes, I appear on the U.S. media quite a bit, and I often feel uncomfortable with the idea that I'm saying things that make Canada look not so good, because we tend to do quite a bit of virtue signalling and not so much action.

One area that's of particular concern to me is the Indo-Pacific strategy, which is so poorly funded that we really can't, in any way, match up to Australia, the U.K. and the U.S. That's why we're not part of the AUKUS, and that's why we're not part of the Quad. However, we talk a very good line.

I think this rhetoric is really wearing thin in the United States. They're on to us, and they don't see us as a reliable ally, when we say one thing about decoupling and friendshoring—Mr. Champagne and Minister Freeland—in the United States, and then, when we get back to Canada, we're not talking about that anymore. They know. They're on to us, and it's not good for our overall relations with the United States and for getting those concessions we need to potential measures if the Trump administration comes in, like generalized 10% tariffs.

Mr. Tony Baldinelli: Would you agree that it possibly had an impact on decisions such as the increase in the softwood lumber duties?

Dr. Charles Burton: My feeling is that, yes, we're not generating goodwill with our American counterparts because we are not being honest and forthcoming enough.

Mr. Tony Baldinelli: Thank you.

I'm going to go back to Brian, if I could.

Mr. Kingston, you spoke about your one recommendation about the 2035 sales mandate and your hope that the government would scrap that mandate. It's your notion of being a departure from that long-standing integration—the creation of the Auto Pact in the sixties—that we've worked together to create and how, again, it may negatively impact the Canadian auto sector and jobs.

When I talk about the GM facility, it's close to my heart. I spent four summers there. GM was good to me, so I'm good to them. I bought a 2022 GM Enclave. It was made in Michigan, but the engine was made in St. Catharines. I took great delight in seeing GM make that notification last year, saying that they were going to build EVs there. However, then they put the pause in, and they took out the V6 line that actually produced the engine in my vehicle. It could still be making engines there today, yet that's been stopped.

The mandate.... What we need to do is regulate the outcome, not the choice for the consumer. Would you not agree?

• (1825)

Mr. Brian Kingston: That's absolutely the right approach, and that's always been the approach. You set your emissions targets, because the end objective here, ultimately, is to reduce emissions. You then turn it over to industry to find out how to get there. That might be with hybrids and plug-in hybrids or battery electric or highly efficient gas engines.

That's the best approach. Mandating what a consumer can and can't buy is just doomed to fail.

Mr. Tony Baldinelli: I would suggest that the carbon intensity that went into the production of my 2022 Buick Enclave is cleaner than that of a Chinese EV that would come into Canada today.

Mr. Brian Kingston: Just look at Chinese electricity production. The output is 70% coal. Compare that to production in Canada, where 80% of our grid is clean. It's not even close to comparable.

The Chair: Thank you very much.

Mr. Sheehan is our last member.

Mr. Terry Sheehan: Thank you, Madam Chair.

This question is for Lana Payne.

Lana, when you were speaking, you mentioned how China not only has a poor environmental situation, but also has poor labour conditions in the sense that unions are not allowed to function as they do in Canada. You represented one of the largest unions in Canada. Would you expand on that?

The second piece is how we're talking about a lot of green and clean tech in the auto industry, steel industry and aluminum industry, but also in other industries. How important is it that the companies accessing the tax credits have to pay a union wage or union prevailing wages?

Could you please comment on those?

Ms. Lana Payne: Thank you for those questions.

Absolutely, China has a horrible record for workers. There's no doubt about it. All of your panellists have alluded to this today.

It's extremely important that we look at what we can do to stop imports at the border and give the tools to our CBSA to be able to make sure that we can do this, so that we're not importing products that have been made with forced labour. This is a huge problem that the United Nations and others have pointed out in China. We have to make sure we do our part to ensure that all countries in the world are uplifting workers, and making sure that all workers have good collective agreements and good collective bargaining rules, regulations and powers to be able to support themselves.

What we see here is that we have gotten ourselves into a situation in the world right now whereby we have to be honest about how things are. If we want to support Canadian workers, we have to look at what's going on in countries in the world where we're being asked to import.

Whether it's cars or buses from China, or whatever the case may be, I agree that we have to be concerned that they're being built with coal, as your previous speaker pointed out, and with forced labour.

We don't operate in a vacuum in Canada at all, Terry. We have to make sure that we're looking at all of these things and protecting Canadian jobs. This is all of our responsibility. It's the responsibility of everyone in the room there with you today, and it's my responsibility. We have 40,000 members who work in the auto sector and tens of thousands of others who depend on us to get this right, get trade right, get industrial policy right and get climate conditions right.

These are big decisions, and they're all linked. We have to make sure that we're doing everything we can to protect Canadian jobs in this process.

Mr. Terry Sheehan: Thank you for that.

Maybe you can comment on the tax credits related to paying a union wage or prevailing wage similar to a union wage.

Ms. Lana Payne: It's really important. We've seen this implemented by the current government when it comes to the construction of facilities in Canada, such as in the EV supply chain. We've also pushed for this to happen in the production of these facilities as well.

When we're building battery plants and critical mineral mines, and doing all of this in Canada, particularly when we're investing in these things with Canadian taxpayers' dollars, they should be tied to the return of getting good union jobs on the other side.

• (1830)

Mr. Terry Sheehan: Brian, how important is it to have EV batteries close to the production for just-in-time delivery?

My understanding is that things are made more affordable as well. Do you want to comment on that?

Mr. Brian Kingston: Yes, it's hugely important. The battery is a very heavy component in an electric vehicle, so having a battery manufacturing facility close to the final vehicle assembly is extremely helpful. It allows for you to deliver the product to the assembly line just in time for production, and it reduces costs because you don't have to transport the battery over such long distances.

Mr. Terry Sheehan: Prices should be reasonable.

Mr. Brian Kingston: Well, exactly.

Mr. Terry Sheehan: You don't have a crystal ball, but it does make things cheaper.

Mr. Brian Kingston: It does help bring costs down. Particularly as there's this decoupling under way from China, which controls the supply chain, we presumably will see more of that activity here in North America.

Mr. Terry Sheehan: Is having the mines located in Ontario and Quebec also advantageous?

Mr. Brian Kingston: I've said it before and I'll say it again: I think it is a generational opportunity for Canada. This is the biggest natural resource opportunity we have, because we have all of these minerals. Yes, this is hugely important.

Mr. Terry Sheehan: Thank you very much.

The Chair: Thank you very much.

Thank you to our witnesses. It was a very, very informative day. We thank you for your time and knowledge and expertise.

Thank you to the committee members.

The meeting is adjourned.

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