

Advocating for a Strong, Sustainable Clean Technology Supply Chain

**Submission to Government of Canada consultations on potential surtaxes
in response to unfair Chinese trade practices in critical manufacturing
sectors**

October 10, 2024



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Introduction

Unifor is Canada's largest union in the private sector, representing 320,000 workers in all major industries. Unifor is also Canada's autoworkers union, representing more than 40,000 workers in heavy and light-duty vehicle and powertrain assembly, as well as automotive component parts manufacturing, distribution along with engineering, clerical and security operations. Thousands more Unifor members work in vehicle dealerships and vehicle servicing businesses throughout the country, as well as other critical nodes on Canada's automotive and EV supply chain, including in mining, chemical manufacturing, and others.

In recent months, Unifor made three interventions and recommendations on Canadian tariff and trade policy to the Government of Canada. The first intervention was to the Department of Finance, regarding potential policy responses to unfair Chinese trade practices in electric vehicles¹. The second was to the Department of Global Affairs, regarding potential new measures to advance and defend Canada's economic security interests.² The third, also to the Department of Finance, was regarding the imposition of surtaxes on Chinese steel and aluminum goods³. Those interventions, and certain recommendations presented by Unifor therein, are directly applicable to this latest consultation on unfair Chinese trade practices in "critical manufacturing" sectors. As such, Unifor restates all relevant recommendations to the consultation below.

¹ See Unifor submission (August 1, 2024), Advocating for a Strong, Sustainable Canadian Auto Industry <https://www.unifor.org/sites/default/files/documents/Unifor%20submission%20China%20EV%20trade%20practices-EN.pdf>

² See Unifor submission (September 23, 2024), Expanding Canada's Efforts To Build Industrial Strategies And Advance Economic Security. Submitted to Global Affairs Canada.

³ See Unifor submission (September 20, 2024), Advocating for a Strong, Sustainable Canadian Steel and Aluminum Industry <https://www.unifor.org/sites/default/files/documents/Steel-Aluminum%20Consult-Unifor-Final-EN.pdf>

Unifor recommends the Government of Canada

1. Extend Section 53 surtaxes to strategic electric vehicle battery products, including those that align with the United States section 301 tariffs.

- Unifor is pleased to see the Department of Finance has identified major lithium-ion batteries in its proposed list of Chinese goods subject to a section 53 surtax, including HS 8507.60.10 (batteries for EVs) and 8507.60.20 (batteries for e-motorcycles). Applying a 25% surtax on these and other identified battery products would align Canadian efforts with the United States, and satisfy the original recommendation made by Unifor, in its August 1, 2024, submission.

2. Expand the proposed list of goods in Annex 1 to include critical battery and EV-related component parts

- Canada has a strategic interest in safeguarding its domestic investments across the EV battery supply chain, including at least nine major greenfield factories slated to produce battery cells, modules, arrays, separators and precursor materials (see annex 1), along with thousands of direct jobs. These flagship facilities, including the NextStar factory in Windsor, Ontario, will serve the North American EV industry and generate additional upstream manufacturing and processing investments and thousands of indirect jobs. Protecting these investments against Chinese imports is critical, given the intentional overproduction of li-ion battery cells and battery materials in China in recent years, which threatens the viability of future production facilities should that overproduction saturate export markets⁴.
- The battery cell is one key component of Canada's burgeoning EV supply chain. However, thousands of jobs are tied to future production of critical battery *component parts* that also merit protection under section 53. These component parts include:
 - Cathode Active Material (CAM)
 - Anodes
 - Separators
 - Electrolytes
- Further, to secure jobs and production at existing vehicle powertrain assembly plants in Canada (i.e. those that produce engines, transmissions and associated machined components), it is imperative these facilities retool to produce new

⁴ Danny Lee, Bloomberg News: China Moves to Cool Battery Boom Amid Overcapacity Concerns (May 8, 2024) <https://www.bloomberg.com/news/articles/2024-05-08/china-moves-to-cool-battery-boom-amid-overcapacity-concerns>

Electric-drive unit programs, as future demand in gasoline engines decline.⁵ Given the strategic need for domestic production of these products, Unifor recommends that government impose section 53 tariffs on the following critical goods:

- Electric motors
 - Magnets
 - Sensors
 - Actuators
- Finally, as battery cell technology for EVs continues to advance, and new technologies/battery chemistries are employed, it is incumbent on the federal government to monitor and act (if necessary) in the event such goods pose a threat to Canada's domestic industry, from China or elsewhere. This includes growth in battery chemistries such as nickel-metal hydrate, sodium-ion, lithium sulfur, lithium-nickel-manganese, zinc halide, solid-state batteries, among others.
- 3. Add nickel and copper to the proposed list of critical minerals subject to Section 53 surtaxes**
- Canada's nickel and copper mining and processing plays a major strategic role in the mining sector, including within the EV and battery supply chain. However, Canada faces major threats from China, and Chinese-controlled entities in other parts of the world. Indonesia, for instance, supplies more than half of global demand for nickel, most of which is under the control of Chinese mining firms.⁶ Apart from major environmental concerns from its mining practices⁷, Indonesia's expansive growth in nickel production has affected global prices and mining jobs. And despite early year promises to curtail output of refined copper from its smelters, China's expansion in processed copper goods has had similar, deleterious impacts on global prices in recent months.
 - Canada must include both nickel and copper in its list of critical minerals subject to section 53 surtaxes and that these surtaxes are set at 25% above the MFN rate.

⁵ See Unifor GM St. Catharines members secure future with e-motors, <https://www.unifor.org/news/all-news/unifor-gm-st-catharines-members-secure-future-e-motors>

⁶ Niall McGee, Globe and Mail: Nickel from China, Indonesia could face tariffs over market manipulation concerns, Ottawa says (March 7, 2024) <https://www.theglobeandmail.com/business/article-wilkinson-nickel-critical-minerals-china-indonesia/>

⁷ Reuters, Foreign-backed nickel hub in Indonesia causing mass deforestation -report (January 18,2024) <https://www.reuters.com/sustainability/land-use-biodiversity/foreign-backed-nickel-hub-indonesia-causing-mass-deforestation-report-2024-01-18/>

Unifor recommends the following HS codes to apply:

2604.00	7504.00	7508.00	7403.00	7407.00	7411.00	7415.00	7419.00
7501.00	7505.00	2603.00	7404.00	7408.00	7412.00	7416.00	
7502.00	7506.00	7401.00	7405.00	7409.00	7413.00	7417.00	
7503.00	7507.00	7402.00	7406.0	7410.00	7414.00	7418.00	

4. Develop Canada's critical minerals sector by supporting Made-in-Canada processing, establishing export controls

- Critical minerals are vital to Canada's low-carbon economic growth plan. Under its Minerals and Metals Plan, Canada is positioning itself as a leading mining nation, recognizing these materials as key to economic security. In the context of battery and battery materials sector development, for instance, access to these minerals presents significant industrial advantage.
- Canada must maximize the value of such assets to meet its economic, job-growth and sustainability objectives. The earmarking of \$3.8 billion to accelerate production and processing of critical minerals in Budget 2022, was an important first step, although the establishment of such industrial processes (from new mining to processing) has been slow.
- As recommended in Unifor's 2022 auto sector development policy, *Navigating the Road Ahead*⁸, government must consider domestic processing opportunities and arrangements prior to awarding permits for mineral exploration and mining development. This process can involve mining firms demonstrating efforts to seek offtake agreements or other supplier arrangements with Canadian-based processors and refineries. Governments must also accelerate their efforts to streamline and improve timelines for mineral exploration assessment work regimes and permitting processes, while maintaining strong environmental protections, labour standards and respect for Indigenous sovereignty and rights.
- Amid fluctuating global demand for electric vehicles, batteries and associated components, governments must serve as strategic and stabilizing backstop for a burgeoning critical minerals market. As such, governments must consider purchasing and stockpiling critical minerals and redirecting those materials to processors with incentives to set up facilities in Canada.
- As outlined in Unifor's submission to the Department of Global Affairs, Canada must undertake strong oversight to guard against foreign ownership and control of critical minerals and processing capacity, including by leveraging existing

⁸ Unifor, *Navigating the Road Ahead: Rebuilding Canada's Powerhouse Auto Sector* (August 2022) https://assets.nationbuilder.com/unifortheunion/pages/3300/attachments/original/1669844126/auto_policy-en-web-final-revised.pdf?1669844126 Link to Unifor auto policy

protections under the Investment Canada Act and expanding those protections, as necessary. It is unclear if recent amendments to the ICA, through Bill C-34, will sufficiently expand the “net benefit” test parameters, to guard against foreign-controlled entities gaining access to essential Canadian resources (such was the case with Paper Excellence gaining control over domestic forestry assets). Such loopholes in the Act must be addressed.

- Canada must also identify its 34 named critical minerals under the scope of its Export and Imports Permits Act, to exert existing trade controls – where appropriate – to ensure their strategic use and deployment, to maximize the benefit to Canadians and the Canadian economy.

Conclusion

Unifor applauded⁹ the Government of Canada for its decision to impose temporary section 53 surtaxes on targeted Chinese electric vehicle imports, which came into effect October 1, 2024. The strategic use of its trade policies, acting as guardrails to ensure the successful growth of strategic, clean-growth and forward-facing industries is an essential component to Canada’s industrial strategy.

⁹ Unifor applauds government action on unfair Chinese EV, steel and aluminum imports (October 1, 2024) <https://www.unifor.org/news/all-news/unifor-applauds-government-action-unfair-chinese-ev-steel-and-aluminum-imports-0#:~:text=TORONTO%E2%80%94%20Unifor%20applauds%20the%20implementation,%2C%20effective%20October%2022%2C%202024.>