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# Standing Committee on International Trade

EVIDENCE

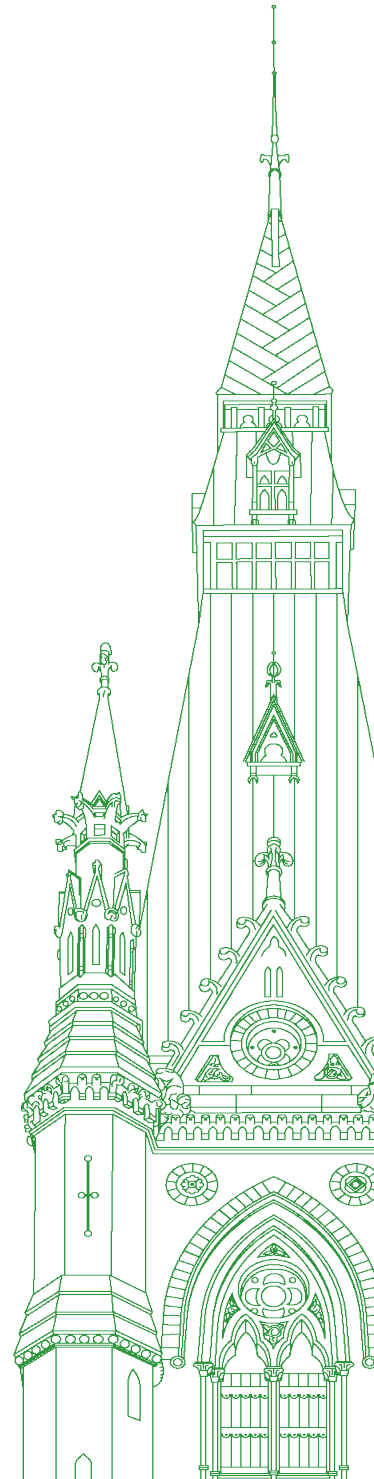
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Chair: The Honourable Judy A. Sgro





## Standing Committee on International Trade

Monday, September 23, 2024

• (1100)

[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I call the meeting to order.

This is meeting number 116 of the Standing Committee on International Trade.

Welcome to everyone.

For the first hour and a half, of course, we're continuing our Canadian manufacturing study, and in the following half hour we will have committee business.

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

With us today from the Alberta Uyghur Association is Mehliya Cetinkaya, program and outreach manager.

From the Automotive Parts Manufacturer's Association, we have Flavio Volpe, president, who is a regular here.

From Clean Energy Canada, we welcome Joanna Kyriazis, director of public affairs.

We welcome you all.

We will start with opening remarks for up to five minutes, and then we will proceed with questions by committee members.

Ms. Cetinkaya, would you like to go first, please?

**Ms. Mehliya Cetinkaya (Program and Outreach Manager, Alberta Uyghur Association):** Madam Chair and members of this committee, thank you for welcoming me today.

I'm here to shed light on how Canada's trade with China can be and is complicit in Uyghur genocide. As many Canadians have learned over the past few years, the Chinese Communist Party has been committing a genocide against Uyghurs and other Turkic Muslims who live in East Turkestan, also known as Xinjiang. Since 1949, the CCP has worked to eradicate Uyghur people due to their different ethnicity and religion and with the ulterior motive of stealing and monopolizing the natural resources of the region.

This human rights crisis is creeping its way into our Canadian borders in the form of clothes, textiles, tomatoes, solar panels, EV batteries and so much more.

Reports indicate that over three million innocent Uyghurs are currently detained in concentration camps, where they face indoctrination, forced labour and torture in varying degrees. Testimonies from camp survivors like Gulbahar Jelilova, Tursunay Ziyawudun, Omir Bekali and others are too horrifying to repeat here today.

SDIR, the Subcommittee on International Human Rights, and our Parliament have recognized the CCP's treatment of Uyghurs and other Turkic people of East Turkestan as a genocide. Consequently, Canada can no longer do business as usual with China.

The International Labour Organization defines “forced labour” as the exaction of “work or service...from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.”

It is clear that Uyghurs are not voluntarily offering to work. On the contrary, they're forced to by the CCP out of fear that if they refuse, they and their entire families will be punished, or, worse, sent to concentration camps. It's estimated that more than 80,000 Uyghurs were transferred out of East Turkestan to work in factories across China between 2017 and 2019. Some of them were sent directly from detention camps. Uyghurs who live in factories away from home are forced to go through ideological training, are under constant surveillance and are forbidden religious observances.

**The Chair:** Excuse me, but the interpreters are asking if you could slow down. We appreciate that you are trying to cover it all in five minutes.

**Ms. Mehliya Cetinkaya:** Sorry.

**The Chair:** Please just go a little bit slower.

**Ms. Mehliya Cetinkaya:** I understand. I will slow down.

A local government work report from 2019 reads that, “For every batch [of workers] that is trained, a batch of employment will be arranged and a batch will be transferred. Those employed need to receive thorough ideological education and remain in their jobs.”

The turn to green energy in order to lower pollution and costs is good in theory. However, it is clear that this initiative, if sourced from China, cannot and will not be green. East Turkestan is rich in natural resources that are part of the EV battery process. The Chinese government is actively relocating the processing of raw materials and the manufacturing of car parts into East Turkestan due to the availability of these large reserves of resources. Ironically, the manufacturing of these green technologies in China is particularly energy-intensive and highly polluting.

Uyghurs are being used as a source of slave labour in the mining and production of lithium, cobalt, coal and other materials crucial for these batteries. Purchasing electric vehicles or renewable energy and technologies from China not only directly upholds forced labour systems in place to eradicate Uyghurs, but also creates even more pollution.

As Canada strives to meet climate goals and transition to greener technologies, we must ensure that these efforts do not come at the cost of human rights and, certainly, of our environment. Collaborating with companies that utilize forced labour directly undermines Canada's commitment to ethical trade and social justice.

Xinjiang East Hope Nonferrous Metals, Tianshan Aluminum, and Xinjiang Xinfeng Co. are all closely tied to Xinjiang Production and Construction Corps, a military economic entity, sanctioned by Canada, that plays a big role in the repression of Uyghurs. This company holds thousands of stakes in companies in East Turkestan and frequently participates in forced labour transfers with coal mining companies.

I add that the current legislation prohibiting forced labour...within Canada is weak. The United States has the Uyghur Forced Labor Prevention Act, which assumes that any products coming from East Turkestan or Xinjiang are made, wholly or in part, by forced labour until proven otherwise, whilst Canada does not. However, the goal of both countries is to prohibit forced labour from entering our borders. Canada has neither seized nor stopped a single shipment at our borders due to the reason of forced labour. From June 2022 to date the U.S. has stopped 9,791 shipments, releasing 4,537 and seizing 3,975, due to forced labour. While our neighbours can uphold their commitment to protecting human rights, why hasn't our government adopted the same policy?

Green initiatives cannot truly be sustainable if they rely on Uyghur forced labour, and China is also one of the highest polluters in the world. Supporting the Chinese Communist Party, without accountability, makes us complicit in these violations of human rights. Our economic and environmental interests cannot outweigh the fundamental human rights of millions of Uyghur people. It's essential to seize and stop goods coming in from China, East Turkestan or Xinjiang. It is essential that we call on China to address its pollution and CO2 emissions, and that we ensure our green technologies are ethically sourced by ending the Uyghur genocide and freeing East Turkestan.

• (1105)

**The Chair:** Thank you very much.

Mr. Volpe, go ahead, please.

**Mr. Flavio Volpe (President, Automotive Parts Manufacturers' Association):** Thank you, Madam Chair and members. I appreciate being introduced as a regular here today.

Most of you know the APMA. We're the Canadian companies in the automotive business; that's hundreds of supplier factories and 100,000 employees who manufacture parts, tools and applied technology systems. Canadian automotive companies have 156 factories in the United States and 120 factories in Mexico. We're very invested across North America, with another 88,000 employees in those jurisdictions.

Where our bread gets buttered is in the U.S. market. Eighty per cent of the vehicles made in Canada are sold to U.S. consumers. Fifty per cent of the exports of parts go to factories in the U.S. to manufacture vehicles, 60% of which are imports into Canada. We are extremely integrated, and it's part of the reason that we at the APMA started in September and October 2023 to push the Canadian government to understand the flood of Chinese vehicles going into Western markets, including Mexico. That included seeing a rise in Mexico in one year of imports from Chinese sources from 5.4% to 19.7%, which is a threat to all of the investments that industry has made in partnership with governments, both the federal governments here as well as provincial governments in Ontario and Quebec.

We said that they had to open their eyes to the "Made in China 2025" plan, which is public. The Chinese, among other things, want to dominate the vertical dimension of advanced automotive manufacturing.

Do something. We worked hard here to raise awareness, and then we went to Washington in November last year to say the same thing to the Americans: to the White House, Treasury department, and commerce and energy departments to say that you, the Americans, are making heavy investments in the space, but also inviting Chinese products in to meet your EV mandates. We told them that they needed to make sure that they understood what they were doing and that the Chinese were so far ahead that, if the U.S. continued down this path, all it was going to do was to pay for China's goods to be sold to U.S. consumers who in turn are taxed to raise the funds to pay for the goods.

Canada does not have an OEM. There are no product decisions made in Toronto, Windsor or Ottawa, but we make up to two million cars a year. We're one of the 10 biggest players in automotive manufacturing around the world. We can supply everything that is in an electric vehicle.

The APMA led a project called Project Arrow, where we built out a working vehicle prototype that we've toured around the world. It is made almost entirely of Canadian parts, except for the screens, because the Chinese, as they did in solar, as they're going to do in batteries and EVs, flooded the consumer electronics markets and busted all the other players in that space. We say that it's China versus market-driven players, because in China, it's the state organizing all the players in there. They're either owners at the state level or a municipal level. There's Shanghai auto, the biggest Chinese manufacturer, which is a JV with lots of Western players. The biggest shareholder is the municipality of Shanghai.

Here, everybody talks about, well, you don't want to do this. Are you going to protect fat companies, Western companies, that are protecting their profits? Well, they're all publicly traded. You can see that in the auto business in the West, they all operate in single-digit EBITDA. We're very happy to see the Canadian government move forward with an announced 100% tariff on Chinese EVs.

One thing that's important to our subsector, which is in the middle of another consultation, is what we do on subcomponents. We should harmonize with the United States. There should be no daylight between us on how we treat those products. They are the vast majority of our market, they're the vast majority of our imports, and we're invested together across the continent.

On EV mandates, the CVMA came here last week and said that they were going to put forward a motion that we should harmonize EV mandates. We should do the same thing here. On our EV mandates, APMA has said quite publicly many times that they cannot be fulfilled. We can't get to 100% EVs by 2035 if we don't have Chinese product in vehicles and batteries. We are walking ourselves into this problem.

• (1110)

Barry Bonds cheated in front of fans for years and set records in San Francisco. It was obvious to all of us. We looked at him, and we said later in his career that he shouldn't have been able to hit the ball like that. We watched his hat size get to 8. After he retired, we all started to look at it. After all of the records were broken, after baseball was changed, we said, "You know what? He was a cheater." I'm going to start listening to the testimony on BALCO.

We haven't erased those records. We don't talk about that whole era of baseball anymore. No one is getting into the hall of fame. China is playing like Barry Bonds. It knows the rules, is going to break them, will find the cream in the clear, and will beat you. When you catch up and want to moralize and say that you did it wrong, you've lost.

Thank you.

**The Chair:** That's interesting. Thank you, Mr. Volpe.

Ms. Kyriazis, I apologize for my pronunciation. You have the floor for up to five minutes.

**Ms. Joanna Kyriazis (Director of Public Affairs, Clean Energy Canada):** Good afternoon, Madam Chair and members of the committee.

My name is Joanna Kyriazis. I am director of public affairs at Clean Energy Canada. We're a climate and clean energy think tank at Simon Fraser University.

Today, I would like to talk to you about EV affordability and why this must be a top priority for the federal government and industry if we want to help Canadians through a cost of living crisis and to set our burgeoning domestic EV sector up for long-term success.

Globally, EVs now make up one in every five new cars sold, and they're on track for another record-breaking year. Here at home, EV sales are also on the rise, making up 13% of new car sales across the country and nearly a third of new car sales in leading provinces like Quebec. You wouldn't think it from the headlines you've been seeing, but in the last quarter, Canada saw the highest volume of EV registrations ever. This is because EVs are one of the best ways to save Canadian drivers money and to free them from volatile gas prices. Plugging into our homegrown clean electricity saves the typical EV driver about \$3,000 per year on fuel and maintenance. Put another way, today's Canadian EV drivers pay the equivalent of about 40¢ per litre of gas to charge their cars.

From a Canadian industry perspective, the transition to EVs has given our auto sector a second life. From 2000 to 2020, Canada dropped from being the fifth-largest auto-making country in the world down to the twelfth. We were losing jobs and investment in our sector. In the last four years, Canada has attracted almost \$50 billion in EV-related investments, and we are now ranked the top country in the world for our EV battery supply chain potential. It is due to the fact that our country has some huge comparative advantages to offer this growing global industry. Our critical mineral wealth is one, as EVs are six times more mineral intensive than gas cars. Our low-carbon steel and aluminum, plus clean electricity to power our manufacturing operations, are another comparative advantage as companies and countries are preferring cleaner, more responsibly produced products. Our manufacturing footprint, highly skilled workforce and leading battery researchers are yet another comparative advantage as future vehicles become increasingly high tech.

In short, our auto, steel, aluminum and critical mineral sectors are better positioned to win an electric vehicle future than they are to win a gas-powered one. Many of these Canadian industries say that this is a generational economic opportunity. However, there is a major barrier that stands in the way of these opportunities for Canadian consumers and industry: EV prices are still too high. Polling suggests that the upfront cost remains the number one concern for prospective EV buyers.

Canadians currently have limited access to affordable EVs, and manufacturers here in Canada and in the U.S. aren't making them. In our submission, Clean Energy Canada argued that the impacts on EV affordability must be considered in Canada's response to Chinese-made EVs, either by considering lower tariff amounts or by complementing tariffs with other measures. Now that Canada has decided to apply a 100% tariff to Chinese-made EVs, the key question is this: What will Canadian governments and producers do with this time they've bought themselves?

Clean Energy Canada recommends that the federal government, for its part, adopt an EV affordability package made up of the following measures.

First, refund and extend the federal incentive program that helps Canadian drivers go electric. This program is more popular than ever this year, but it's set to end in March 2025, before most made-in-Canada EVs are even available to buy.

Second, ensure that new and existing condos and apartment buildings have EV charging installed. Millennial Canadians are the most interested in going electric, but they often live in or rent in apartment buildings where access to charging is limited.

• (1115)

Finally, preserve a strong EV availability standard that requires carmakers to make more EV models available to Canadians and will help drive down the price of EVs. This policy also offers market certainty for the other stakeholders involved, like EV charging providers, electric utilities and even mining companies, to plan and invest according to expected EV uptake.

We believe the federal government can balance multiple interests—addressing consumer affordability and climate change—while also setting our auto industry up for long-term success.

Thanks for the opportunity to contribute today. I look forward to your questions.

**The Chair:** Thank you very much.

Mr. Genuis is up for six minutes, please.

**Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC):** Thank you, Madam Chair.

Thank you to all the witnesses.

Ms. Cetinkaya, thank you for bringing more light here on the ongoing horror that is the Uyghur genocide.

From my observations, the ESG movement in practice sometimes feels like the “E only” movement. It ignores social and governance impacts in the rush to achieve specific environmental objectives. There is a major risk that the new battery economy is

strengthening our strategic adversaries, undermining Canadian workers and causing untold suffering among Uyghurs, as well as people in the DRC who are often exploited by Chinese companies. Therefore, we need to be smart about how we respond to these changes, yet some, in spite of these realities of social and governance impacts, press forward with their one-track mind.

I think we need to have an approach that aligns with our economic interests, our strategic interests and our moral obligations. That is why Conservatives have pushed for strong measures to counter the strategic efforts of the Chinese Communist Party to dominate the market through tactics that are both anti-competitive and immoral.

You spoke in your opening statement about the Uyghur Forced Labor Prevention Act. It's a bipartisan bill passed in the United States that creates a reverse onus. Essentially, it's a presumption that those companies operating in East Turkestan, or Xinjiang, are using forced labour.

Why is this presumption reasonable, in your view? Should we adopt legislation in Canada that aligns with this bipartisan legislation in the United States?

• (1120)

**Ms. Mehliya Cetinkaya:** Thank you for the good question, Mr. Chair.

I want to start by saying that, 100%, EV batteries are also.... Exploitation in the DRC is very prominent.

When it comes to the Uyghur Forced Labor Prevention Act of the U.S., specifically, the Canadian government has released a study called “Study of Supply Chain Risks related to Xinjiang forced labour”, in which it clearly states that this is legislation we want and are trying to adopt within Canada.

The U.S. legislation is significantly stricter in assuming that all products coming from that region...because there was a lot of evidence and there were a lot of reports that showed us that things such as cotton.... Even the report that the Government of Canada released states that 85% of so-called Chinese cotton comes from East Turkestan, which means it is directly linked to the slave labour of Uyghur people. This is also true for things like tomatoes, solar panels and polysilicon. They are also coming in from the region of East Turkestan.

Therefore, the Uyghur Forced Labor Prevention Act assumes that because of the backing and the reports, and the fact that behind these different products, there is forced labour, anything coming from that region can be assumed to be from forced labour. This is because of how it is all interlinked.

**Mr. Garnett Genuis:** One of the things people say about enforcement around forced labour is it's complicated. It's complicated to unravel these supply chains and figure out exactly what came from where, and to have proper identification and accountability, but it would seem to me that if complexity is the challenge, we could simply be aligning with our American friends and partners to have an aligned regime. That way, if a shipment is turned around from docking and unloading its goods in the United States, the same shipment could not be unloaded in Canada. However, we haven't pursued that kind of alignment. If we had alignment, we could be sharing information. It would actually make our enforcement much easier.

This is a context in which, based on the numbers you presented, the Americans are succeeding and we're failing. They are stopping many shipments. We're not stopping any shipments, and those shipments that are being stopped on their way to the United States could well be coming to Canada.

Why don't we pursue greater collaboration with the United States and greater information sharing on forced labour? Wouldn't that solve the problem?

**Ms. Mehliya Cetinkaya:** I agree 100%. While both neighbouring countries have the same goal in mind, we do not want forced labour. We do not want to be complicit in a genocide, no matter how far away it is from our home here in Canada or in the U.S.

If the U.S.—and it's clear, like you said—has this legislation in place and has the materials and resources in place to detect forced labour within shipments, we should 100% be aligning with them and working with them. We could even expand it further and make sure that we really have a hand in stopping the use of forced labour.

**Mr. Garnett Genuis:** By “expand it further”, I suppose you're talking about seeking to partner with other like-minded democratic countries on a collaborative framework to keep forced labour out, which benefits workers within the free world and puts pressure on China to put a stop to this Uyghur genocide.

I have one final question.

The USMCA contains provisions on combatting forced labour. There's an obligation on the part of parties to that agreement to take action to combat forced labour. It doesn't include any kind of alignment of structures, but it includes a commitment.

It seems to me to be a bit of a trade risk if the Americans are able to see that they're putting a stop to forced labour products coming in from East Turkestan and Canada is not. That raises some questions about our compliance with that agreement.

It seems like a win-win if we could try to bring Canada into line with that agreement and collaborate more with the Americans in order to avoid potential criticism that we're not living up to our trade obligations.

I'm basically out of time, but maybe the chair will allow your quick response to that.

**Ms. Mehliya Cetinkaya:** Yes, I completely agree, one hundred per cent. We should have unity and collaboration with like-minded countries when it comes to forced labour.

**The Chair:** Thank you very much.

Mr. Sheehan, go ahead for six minutes, please.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you all for your presentations on this very important matter.

My first question, through the chair to the panel, would be for Mr. Volpe.

We had some testimony at our last meeting by the Canadian Steel Producers Association. I represent a steel town. It's been feeding in to the auto sector for generations.

I asked, “Why?”

They're decarbonizing the steel industry. They decided that they would in Ontario. Algoma Steel is the second-largest steel producer in Canada and it's decarbonizing. I just asked why the steel industry is doing that. She just said that it's because the market's going that way.

Would you agree that the auto sector is also heading towards decarbonizing?

How important is it for the supply chain in the auto industry, particularly the EV industry, to be decarbonized?

● (1125)

**Mr. Flavio Volpe:** It's about authenticity. If you're going to sell a product that's going to be clean, that is going to have no tail-pipe emissions, that is going to help you achieve your green standards—whether those are EV mandates or others—then you have a responsibility to look at all of your supplies and all the raw materials. Where are they made? How are they made?

In our conversations with American officials, a lot of where they're going on a regulatory front involves asking what the embedded carbon level is in the materials, from steel to the parts that are made out of steel, to the cars that they go in. They get it and I think that we get it here, too.

That's also one way in which China is getting an unfair advantage here. There was 218 gigawatts of new coal-fired power approved in China over the last 18 months to sell us the steel that wraps the batteries that go into the clean cars that come to us from forced and otherwise underpaid labour to meet our objectives.

**Mr. Terry Sheehan:** If we were to develop a national EV supply chain strategy, for instance, you mentioned one thing that might be in there.

What other things could we put in?

This could be for anyone to answer, too.

What other things could be in a national EV supply chain strategy?

**Mr. Flavio Volpe:** Joanna's testimony and the principles behind it are something that we are almost violently in agreement with. That is to say, there are very important societal reasons for why you want to have a clean transportation grid. However, the way you power that grid is important. The way you power the manufacture of the materials that facilitate that grid is very important.

If you are displacing carbon to a lower cost jurisdiction that has an opacity in how it's administered, how it treats people, how it treats labour and that is using our rules and our willingness to play boy scout around the world so it can flood those markets....

I was in the solar business before this. Don't get me started about the economics of the solar business. China is not the answer.

The strategy is that if we have raw materials in the ground here.... As Joanna said, BloombergNEF says we're the number one jurisdiction. Well, I represent all the suppliers. When can we buy the Canadian cells full of Canadian lithium, nickel, cobalt or graphite? The answer is, "at some point".

Ford has to buy materials to put in a battery that goes into production here. If that's 2026 or 2027, pick any automaker you like and if the Chinese are ready, they'll sell it to them. If that's the only way to be able to build the vehicles to meet the mandates, we're going to have Chinese batteries.

We need to have the same focus we had in landing EV investments. We need to ask how we are going to get the stuff out of the ground, processed and manufactured into cells that are warrantable.

These tariffs will buy us those five years, but that's what we should spend the next five years doing. That's what should be in our strategy.

**Mr. Terry Sheehan:** Would you like to chime in?

**Ms. Joanna Kyriazis:** I would like to say that, if we are concerned about some of the social and environmental practices China is pursuing to build out its battery supply chain, the answer should not be to slow the EV transition and give up on our efforts to address climate change. The answer should be to leverage Canadian innovation and ingenuity to do it better, cleaner and faster.

In terms of what would be in an EV battery supply chain strategy, I agree we need to find ways to accelerate the development of upstream portions of the supply chain. I see what the U.S. is doing. They are investing in a lot of battery recycling activities to get low-

er cost battery materials faster and in ways that are better for the environment. They're not waiting, necessarily, for the new mines that take 10 or 15 years to get online. They're also investing in those, but they're finding ways to innovate to reduce their reliance on China.

Similarly, they're investing in alternatives to graphite—China controls the global market—to make sure they have something they can offer instead. Canadian battery companies have a lot to offer, but they're struggling to scale up. We need to make sure that our approach to building up the supply chain is not only attracting multi-nationals to invest here but also standing up Canadian innovation and helping to scale up emerging Canadian battery leaders—which are often offering lower costs and more environmentally friendly ways of doing business.

• (1130)

**The Chair:** Thank you very much.

It's over to Mr. Savard-Tremblay for six minutes.

[*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 today.

My first question is for you, Ms. Cetinkaya.

We know that there are currently quite significant deficiencies in the control of goods produced by forced labour.

If we compare our situation to that of the United States, we realize that the value of illicit goods seized in Canada is almost nil, since there was only one seizure, and it was subsequently cancelled. In the United States, however, the value of seizures is in the millions of dollars.

We know that, in Canada, it's up to customs officers to prove the use of forced labour, as if observed by flashlight, whereas in the United States, it's up to the company to show that it's not using forced labour.

How do you explain such a big difference in the results and in the approach?

[*English*]

**Ms. Mehliya Cetinkaya:** Thank you very much for the question, Madam Chair.



I agree 100%. I believe the correct number is about three billion dollars' worth of value that the U.S. has seized. Canadian companies are required to report whether or not they have forced labour in their supply chains, based on the customs tariff, which was amended so that companies must report to the Canadian government. That's available on the Public Safety website, I believe—a catalogue of all companies that use forced labour. They find it hard to report because of third- and fourth-tier companies doing forced labour, like cotton being picked, then transferred to a different region—things like that. It's a little difficult for companies to report.

The CBSA has the resources and ability to look into these third-tier companies because, often, it is a collection of similar third-tier companies when it comes to Nike or different clothing companies. They all have a few groups of Chinese forced labour companies that they use. The CBSA has the resources and capability to look into them, question them and put out a statement to companies saying they cannot do business with these Chinese companies because they're directly linked to forced labour.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** You also talked about solar panels.

I've already heard from people on Capitol Hill in the U.S. that there's a suspicion—so far unproven—that solar panels rejected in the U.S. would simply be shipped to Canada and pass through here like a letter in the mail. Ultimately, Canada would become the United States' backdoor garbage can.

Do you share that suspicion?

I repeat, the panels that are rejected in the United States are simply sent to Canada.

[English]

**Ms. Mehliya Cetinkaya:** Yes, I do 100%. For solar panels, it's specifically polysilicon that's coming from the East Turkestan region. It's also said that 85% of Chinese cotton is from East Turkestan. If the U.S. is stopping them, but our Canadian government, which has the same goal, has not stopped or seized a single shipment, I 100% have suspicions that's happening.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Let's talk about aluminum. We also know that aluminum production from China's Uyghur regions has grown massively in recent years. Today, that represents nearly 10% of the world's supply. So we can suspect the use of forced labour in such a case. Much of the production is shipped out of the region and mixed with other metals to make aluminum alloys in other parts of China, including the automotive industry.

According to Human Rights Watch, once aluminum has been melted down and mixed with other materials, it's impossible to prove that it comes from China's Uyghur regions, or how much of it there is. That's often how aluminum made with forced labour will enter domestic and global supply chains. Automakers rarely know themselves where the aluminum they use comes from.

Do you think this aluminum would make its way into the supply chains without manufacturers and consumers being aware of it?

• (1135)

[English]

**Ms. Mehliya Cetinkaya:** Yes. I will say that it is a tactical thing that China's been proven to do, whether it's in textiles or in the automotive industry. However, I will say that, right here, I have a minimum of eight companies that specifically use Uyghur forced labour in the Xinjiang region to mine aluminum. Whether these companies are going and mixing that with other metals, or different companies, the origin or extraction of that aluminum is associated with a company name. That is information that, if I have it in front of me, we're able to look at. The CBSA is able to look at it. The Canadian government is able to look at it. I am able to prove it right here with us.

Also, they are moving it out, but are also creating a lot of factories within East Turkestan to process those raw materials, and then that process of moving out is slowing down. They're actually even manufacturing car parts within East Tristan as well.

[Translation]

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

Very quickly, please, can you tell me if automakers are taking the necessary steps to minimize the risk of aluminum produced by forced labour in their supply chain?

If we have any time left, I'd like to hear from Mr. Volpe on that as well.

[English]

**Ms. Mehliya Cetinkaya:** No. Recently Volkswagen has been one of the companies that are very prominent in the region for forced labour. They released a report where they lied about what companies they're using. They lied about what processes and what parts of their supply chain have Uyghur forced labour in them, so I do not think that companies are being accountable.

**The Chair:** Mr. Volpe, do you want to add something quickly?

**Mr. Flavio Volpe:** Sure. Automakers that are manufacturing in North America and are subject to the USMCA have a much stricter rigour, both from a regulatory standpoint and from their own ESG commitment in terms of the transparency of where things are coming from. Of course, a lot of the aluminum for North American manufacturers is coming from Quebec.

What Canadian suppliers don't control is where subcomponents may come from, that is, from which other regions, and we've always expressed concern that anything coming from China is suspect.

**The Chair:** Thank you very much.

I have Mr. Cannings for six minutes, please.

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

Thank you all for being here today.

I have 100 questions and only six minutes, so I'm going to try to move along fairly quickly.

I'm going to start with Ms. Kyriazis.

You mentioned that sales in provinces such as Quebec and British Columbia are very high and are approaching or exceeding world sales. Why is that? Is it the infrastructure on the highways? I know I can drive around my riding. It takes 11 hours. I can stop every 15 minutes and can charge up if I need to.

Is it the sales mandates in those provinces? Is it incentives? Is it all of the above? What can we do federally to change that pattern across the country so that we see a broader uptake?

**Ms. Joanna Kyriazis:** Thanks, Mr. Cannings.

B.C. and Quebec are certainly Canadian leaders when it comes to EV uptake. They've both put forward comprehensive policy packages that focus on the demand side of the equation as well as the supply side.

They do offer generous incentives to consumers looking to buy an EV. They have the two longest running programs in the country. They invest heavily in charging infrastructure.

They have some other measures as well, but most Canadian provinces actually already offer EV purchase incentives, and so what's different about B.C. and Quebec is that they have the sales mandates in place, which require carmakers to sell more EVs in those jurisdictions and allocate more of their inventory.

You'll often see, when a new EV comes to market, that they're available in only B.C. and Quebec first. Even the Ontario-made electric Dodge Charger is only available in B.C. and Quebec at first, because the requirements are in place there and not yet federally.

What we can learn from them is, I think, the importance of the supply side of the equation, preserving a strong EV availability standard federally, which recruits automakers to use the tools they have at their disposal to help Canadians go electric.

That could be pricing structures, offering discounts on EVs or low-interest financing. It could be making sure their dealers have everything they need to succeed in selling EVs and helping Canadians by answering the questions they have, and by investing in charging.

The recent PBO report actually showed that the EV availability standard is going to get us almost all the way to where we need to be by 2030 in terms of our public charging network largely by leveraging private capital as carmakers invest in charging to help meet their sales targets.

• (1140)

**Mr. Richard Cannings:** Okay. In your third point, your recommendation was an EV model standard.

My wife and I were out looking for an EV this summer. We went to all of the lots in the area. There were plenty of EVs available. We have friends who have had EVs and said we shouldn't look at this, this or that. We just want a little car to run around town with. All of the EV cars available were big SUV-types of cars. Some of them used to be small but have grown over the last few years. That's something you see in internal combustion cars as well.

Is that what this standard would seek to address, this "always getting bigger" trend we see in other car models?

**Ms. Joanna Kyriazis:** Well, it will certainly seek to address the problem of EV prices being too high by causing carmakers to have to drive down prices to meet their sales.

**Mr. Richard Cannings:** There are small, affordable EVs available in Europe, for instance, that don't, as I know, come from China.

**Ms. Joanna Kyriazis:** Yes. Right now Europeans have 12 EV models to choose from that are under the price point of \$45,000 Canadian. In Canada, we have one, the Fiat 500e. We used to have the Chevy Bolt as an option, but that's been discontinued despite being the second best-selling EV in Canada.

Certainly, that EV availability standard, among other things, is needed to improve EV affordability and get more Canadians the vehicles they want and can't yet afford.

**The Chair:** You have one minute and 20 seconds remaining.

**Mr. Richard Cannings:** I'll turn to Mr. Volpe.

I just want to talk about your comments on the supply chain, battery recycling, graphite and all of these things that Canada can do really well. I know I have the Teck smelter in my riding and Trail, which wants to invest hundreds of millions of dollars in an EV battery recycling plant, making it one of the biggest, if not the biggest, in North America.

I have a fabulous graphite mine. It's sitting there idle, because all of the graphite in the world seems to be mined in Mozambique by Chinese mining interests, and they control that whole thing.

What can we do to accelerate, as we have with battery manufacturing, all of that investment, that whole supply chain, to get us away from China?

**Mr. Flavio Volpe:** I think we have to stop being naive about why Chinese products are cheap. The first thing is that they're heavily subsidized. It's an opaque system. They dominate the global markets in the critical mineral verticals. They bet early, but they didn't bet in a market function. These are not companies that speak to analysts and watch their share price. They have a different relationship with return on investment.

The tariffs are going to help. They're going to buy some time, but we also have to have a national strategy that says there are a whole bunch of consecutive processes when we approve a mine, maybe like we did during the pandemic when we needed stuff immediately. We looked at those processes and saw how many of those we could make concurrently. It's very nice to say that consumers should have the cheaper vehicles, but when you're working in a market economy, if the companies are not charities and they're not subsidized—there are lots that are not subsidized by the federal treasury—if they decide to put out a losing product that nobody buys or that they buy and lock in losses, that company won't exist anymore. The Canadian supply chain is very much for electrification as being at the head of it. There's Project Arrow; look it up, and you'll see how heavily invested we are in it. There are no charities in this. That's the difference between here and what the Chinese have set up.

**The Chair:** Thank you very much.

Mr. Martel for five minutes, please.

[Translation]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** Thank you, Madam Chair.

I would also like to thank the witnesses for being here today.

Mr. Volpe, Canada has been slow to implement its tariffs. Why do you think that is?

• (1145)

[English]

**Mr. Flavio Volpe:** That's a good question, because I've asked the same.

I think that with that gap in the time, we miss the opportunity to tell everybody who would have us do it another way that the most important thing in automotive in Canada for return on investment, for jobs and for upstream and downstream opportunities, is that we understand that the American market is where the milk gets in the coconut for us. If 80% of what we sell gets sold to an American consumer, there should be no daylight. I commend the government for going aggressively to the American standard, but we're also pushing the government to say, by the way, on the rest of it, go to the American level and tell China and the rest of the world that we know that we can make a go of it profitably in this continent if we don't put distance between us and the Americans.

[Translation]

**Mr. Richard Martel:** In your opinion, when the U.S. has regulations of this kind and we don't follow suit, or are slow to do so,

could that limit or hinder Canada in its future bilateral negotiations with the Americans?

[English]

**Mr. Flavio Volpe:** Generally, yes. I will say on this one specifically that when I first spoke to the Deputy Prime Minister when she announced that we would do a 30-day consultation, I asked, why are we doing a consultation? In part, I thought the answer was thoughtful. It was that on the critical minerals end of the piece, the Americans don't have that opportunity in the same proportion that we do, and that we're all looking for perhaps how the Chinese would respond. And there are pieces of the Canadian economy that help create the balance we're in so that we need to make sure that we knew what we were getting into before we signed up for that American standard.

Generally, though, in automotive, as we learned through the NAFTA renegotiations, there is no room for pushing back on the American consumer base and on the American partner, because we're also about to see whether the former president becomes the new president and his rather unnuanced way of doing trade is something I think we should all be aware of as we deal with China.

[Translation]

**Mr. Richard Martel:** Mr. Volpe, what do you think should be the priority for the money we're going to collect through these tariffs?

[English]

**Mr. Flavio Volpe:** So you're suggesting that the funds raised through the tariffs...

Look, this government, together with its provincial partners, has put its stake on Canada's being at the forefront of the electric transition. So I think where the gap is is how we are going to get those minerals to market, to go into batteries so that we don't need the Chinese end of it. I'd really like to see a national strategy that has the funding required to get past the hump for all the juniors, the recyclers and the major mining companies to be able to get to market quicker in lieu of a customer and a profit.

[Translation]

**Mr. Richard Martel:** You mentioned Project Arrow. I would particularly like to hear more about this and about how aluminum is included in the project. Can you tell us more about that?

[English]

**Mr. Flavio Volpe:** Aluminum is very critical in EV's for many direct and indirect reasons. For direct reasons, there are a lot of new innovations in energy storage. Companies are asking, "What if we replace some of the major minerals with aluminum?" Is that a reliable, dense enough source to be able to build batteries that have it as one of their main ingredients? If we do that, Quebec is a winner and Canada is a winner.

On the other end, as the member beside me talked about, EVs and all cars are getting a little bigger. They're getting a little bigger because safety requirements require them to, but they have to get lighter. The best way to get lighter, with structural integrity and without having to reinvent the wheel, is with aluminum. I suspect that the USMCA renegotiations are going to bring the Americans to say—and maybe we should say—that, by the way, we require 70% of core parts to be steel, and we require that steel to be sourced locally. I think that we're going to have that conversation about aluminum, and we should.

• (1150)

**The Chair:** Thank you very much.

[Translation]

**Mr. Richard Martel:** Thank you very much, Mr. Volpe.

[English]

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

[Translation]

**Hon. Mona Fortier (Ottawa—Vanier, Lib.):** Thank you, Madam Chair. I will be sharing my time with my colleague Mr. El-Khoury.

Ms. Kyriazis, as I understand it, Clean Energy Canada interacts with various partners and conducts research, in addition to enlightening certain political leaders and stimulating public engagement. From what I understand, Clean Energy Canada sees the transition to clean energy as a unique opportunity for Canada to build a resilient, growing and, of course, inclusive economy.

Could you talk about how you work with other countries, such as the United States? Could you talk about how this issue might affect our relationship with our largest trading partner? Do you feel that our countries and our trade relationships benefit from the decision that's been made?

[English]

**Ms. Joanna Kyriazis:** The very end of the sentence was cut off. The decision that was made is beneficial to....

Could someone help me with the translation on that?

**Hon. Mona Fortier:** The interpretation didn't come through.

**Ms. Joanna Kyriazis:** I believe you said, "both countries and their workforces".

At Clean Energy Canada, we've been working on trying to build Canada's EV battery supply chain for a few years now. We have convened stakeholders from across the industry, from mining, from automotive parts, from auto assembly all the way through to battery

recycling. We have included academics and representatives from labour as well.

We acknowledge the threat that China posed to the North American auto sector. We acknowledge the huge decades-long head start that China has and how much China dominates global supply chains. We have specifically looked at what sorts of competitive advantages Canada has to offer and how we can complement the U.S.'s approach on initiatives and strengths because we have a different set of strengths. As Mr. Volpe talked about, we are very strong on the upstream portions of the battery supply chain, something that the U.S. doesn't have as much wealth in. The U.S. has a huge market size that we are able to leverage, as well as a lot of dollars to spend.

Certainly, aligning with the U.S. in building out a North American EV supply chain is a top priority for us and is a winning approach for both countries and our workers. However, we definitely have to keep consumers in mind. Something that is going to make or break the success of that future North American industry is that North Americans keep buying EVs. We need to make sure we have a strong and growing market for this growing industry to serve. Figuring out how to build and to sell affordable EVs is going to be the nut that needs to be cracked.

**Hon. Mona Fortier:** Thank you.

**The Chair:** Mr. El-Khoury, go ahead for a minute and a half, please.

[Translation]

**Mr. Fayçal El-Khoury (Laval—Les Îles, Lib.):** Thank you, Madam Chair.

Mr. Volpe, you recently stated that the Automotive Parts Manufacturers' Association, or APMA, feels defended and motivated, and that it will now focus on defending its market, with the best of Canada's innovation and determination.

Can you tell us more about your enthusiasm for the measures taken by our government?

Also, do you have an opinion to share on other components of the sector's supply chain, such as semiconductors, products related to solar energy or critical minerals?

[English]

**Mr. Flavio Volpe:** That's a good question to give me because, as you may know, I'm very enthusiastic about what Canada's supply chain can do in facilitating this transition, and I work very closely with governments at both levels to land the facilitating investments that get us there.

You can't get a supplier an opportunity unless you get orders from a carmaker. This is a proximity business. You make a car here, you make the parts, especially the big, heavy ones like batteries, and you assemble them within an hour or two hours at the facility. They act as a cluster.

This is the greatest investment run in the history of the Canadian automotive sector, in partnership with two levels of governments from two different parties—three parties if we include the Government in Quebec. I'll refer to Project Arrow when I talk about innovation; companies like Voltaplore in Quebec that work with companies like Martinrea that are using graphite and graphing to enhance lithium ion batteries for range extension; companies like TM4 out of Quebec that are not part of the Dana enterprise that are working next-generation efficiencies into the best electric motors on the market; and companies like Linamar that have decided to finally work with our fuel-cell capabilities in B.C. with Ballard, a fuel-cell vehicle and an EV with almost identical componentry except either you're hooking up a battery or you're hooking up a fuel cell.

In the Ballard example, we've been leaders for 40 years in this space, out of B.C., and finally we're going to start to see some of those opportunities come up because we have anchor investments that can order volumes.

Linamar is a company started by a toolmaker Frank Hasenfratz, and his daughter has built it into a \$10-billion enterprise in a whole bunch of different categories.

What those companies need, what the supplier industry needs and what upstream needs are orders that are local, and it's very important to see not just investments from the five assemblers that are here, but a new one from a sixth one, from Volkswagen.

On semiconductors, I will leave you with this—

• (1155)

**The Chair:** Mr. Volpe, I'm sorry.

**Mr. Flavio Volpe:** I'll leave you with nothing. I'll come back to you on that one.

**The Chair:** See if you can get those final words in there.

Monsieur Savard-Tremblay, you have two and a half minutes.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** Thank you, Madam Chair.

I'll ask Ms. Kyriazis from Clean Energy Canada to answer the following question.

At our first meeting last week, we heard from representatives of Electric Mobility Canada, who were calling for the introduction of tendering, in other words, the possibility of changing the way public sector contracts are awarded, based on environmental criteria. We even know that, according to studies, this would pass the test of international trade law. Currently, trying to negotiate exceptions could be problematic, since the Canada-United States-Mexico Agreement, CUSMA, does not contain a chapter on government procurement, unlike the North American Free Trade Agreement, NAFTA, which did.

Having a call for tenders based on the environment would pass the test and, what's more, it would no doubt allow many of our companies to come out on top, particularly in terms of U.S. government contracts.

Do you think that's a way forward?

[*English*]

**Ms. Joanna Kyriazis:** Green procurement is a huge opportunity and a win-win. I think it's a tool that is unfortunately not being leveraged to its full potential here in Canada. The government promised a comprehensive buy-clean strategy federally a few years ago, and we have seen some promising steps through the greening government strategy, which focuses on preferring lower carbon, often Canadian-made, materials in federal building investments like the low carbon steel, aluminum, cement and wood products, but where the real impact could be seen is leveraging the federal infrastructure dollars that are going to provinces and municipalities for roads, bridges and the massive housing build-out that we're hoping to see in the next decade.

We would like to see similar buy-clean requirements added across all federal infrastructure spending so that we can build a better and bigger market for that low-carbon steel and aluminum, which is often Canadian-made, to help Canadian producers scale up.

When it comes to EVs, we could also be better at leveraging our procurement powers federally and provincially to set more ambitious targets to green government fleets and then meeting those targets, because that's been slower to happen than it should be.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** Precisely, you—

[*English*]

**The Chair:** Thank you very much. I'm sorry, but your time is up.

Mr. Cannings, go ahead for two and a half minutes.

**Mr. Richard Cannings:** I'm going to turn to Mr. Volpe and hopefully get a couple of questions in.

First, I want to say, as someone who wears a size 8 hat, that we're not all liars and cheats, but I appreciate the story about Barry Bonds.

I'd like to shift to tires. I know this may not be part of your parts manufacturing, but last week, I was talking to people from Kal Tire, a major tire retailer in Canada that is based in the Okanagan Valley. They also make retread tires for trucks, and so they recycle these tires.

Just in the last few years, they have been overwhelmed by cheap products coming from China that are being dumped in the North American market. They can't make a retread tire cheaper than these new tires, and the United States has slapped duties on these tires or stopped them from coming in.

I'm just wondering if we should be expanding our view here to things broader than EVs and the EV supply chain.

• (1200)

**Mr. Flavio Volpe:** The “V” in EV stands for “vehicle,” and we spend a lot of time talking about the “E” and the rest of the vehicle and tires. Actually, tire technology includes designing the compound and the tread for less resistance for a longer range on EVs.

It's not the first time I've heard that, and yes, we do have tire manufacturers here in Canada. The rubber industry, like the aluminum, steel and lithium industries, is dominated by the Chinese and their opaquely subsidized processes in which they invest in everything except for labour to sell us the cheapest stuff. A lot of times people will buy tires because they need a new tire, but they don't think about the performance and lifespan of it, so they buy the cheap Chinese stuff, and it's a problem.

**Mr. Richard Cannings:** You mentioned the Chinese response to these actions by Canada or the United States. Is there a differential response to Canada because we're not a big player like the United States? We saw China come in immediately and threaten our canola industry, but I haven't heard of any actions against the United States.

**Mr. Flavio Volpe:** I noted quite publicly and quickly that the Chinese response to similar actions by the U.S. and Canada is to take the U.S. to the WTO for the IRA production subsidies and be silent on their tariffs, and then come after us on tariffs and immediately say, “Before we actually have that hearing, we're going to make something up on canola”.

You know, this is the country that arrested the two Michaels; there was a great piece in the CBC today about what that actually means for people. I'm not sure why we have Canadian apologies for the Chinese. They will pick on us like they pick on Australia and see if they can get a moral victory against us, while they know that with the Americans, if they actually beat them on something, the Americans will counter.

**The Chair:** Sorry, Mr. Cannings.

We keep hearing a lot about Volkswagen, and they're not on our witness list. Can I take the initiative to invite Volkswagen to come before the committee specifically to do with forced labour and many of the other things we're hearing today? Is that okay? Is everybody in agreement?

**Some hon. members:** Agreed.

**The Chair:** Okay, thank you very much.

Mr. Baldinelli, please go ahead.

**Mr. Tony Baldinelli (Niagara Falls, CPC):** Thank you, Madam Chair.

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

I'm going to go to Mr. Volpe.

Building on some of the comments by my colleague earlier, he had mentioned you had done a recent interview with BNN Bloomberg. You talked about the 11 months it took you negotiating and putting your thoughts forward to the government on the EV tariff; it took a while.

Also, in your testimony you just talked about the current consultations that are going on regarding the subcomponents. Do you have concerns there? What are your thoughts on that? Should we not, given the highly integrated nature of our market, simply continue to follow what's going on in the United States?

**Mr. Flavio Volpe:** I'm going to preview my submission in full here: Match the U.S. measures.

**Mr. Tony Baldinelli:** My colleague from Green Energy Canada talked earlier about the low-cost production vehicles that are out there. I know my colleague from B.C., Mr. Cannings, was looking for one too. I think GM just announced recently that it's retooling its one facility in Michigan and will be producing the GM Volt again starting in 2025, so that's good news for consumers in that regard.

You also spoke, Mr. Volpe, about the highly integrated nature of our auto sector since the Auto Pact in the sixties and the emission standards approach. We've followed that approach with the United States since that time, but with the sales mandate of 2035 and the U.S. not having a sales mandate, will we even be able to meet that mandate in the production? We won't have a supply chain established in Canada by that time to service the requirements of getting an industry started. Would you not agree?

**Mr. Flavio Volpe:** Yes. If you look at my public statements from when the EV mandate was first proposed at the end of 2022 and then when it came in, we will not meet that standard.

One thing we implored the environment minister and the previous environment minister to do is.... This industry works when the EPA and Canada are aligned. California is an important market, but it's a market. States that align with California are important, but they're markets. Car companies that operate on single-digit EBIT-DA will build to the bigger market.

If you diverge and you cause companies to have to engineer a different configuration, you're going to take cost out of them.

Who wins? It's companies that don't have to profit.

Where do they come from? They come from China.

Why did Western-based players fly into China in the early 2000s when they joined the WTO? First of all, there are no Canadian OEMs, so I'm not maligning any Canadian OEMs. OEMs said that they can make more profit if they take advantage of the manufacturing costs deltas there. Well, the Chinese learned how to make cars at global quality standards and they learned the technology in manufacturing processes as well as anybody else.

What we didn't calculate was they don't care about profit, so now we're in trouble.

• (1205)

**The Chair:** You have two minutes.

**Mr. Tony Baldinelli:** There's the notion of regulating the emission standard and leaving the consumer choice there. The Vehicle Manufacturers' Association mentioned that just the other day.

There are IC engines that are highly effective in their emission standards, and hybrids and EVs.

Again, I don't think we'll be in a position to meet the 2035 standard now in terms of establishing an integrated supply chain, so why don't we go back to what's been so successful for the industry, which is having those emission standards in place? As the market matures, you'll see the growth of the EV market.

Would you not agree?

**Mr. Flavio Volpe:** Yes.

I think we're all committed to that electrification. Electrons versus combustion is actually good for everybody. It's a better, cleaner product and I think Canada's positioned to win there.

However, there's nothing wrong with saying that you bought a six-cylinder Dodge Charger from Windsor. It supports a lot of jobs.

**Mr. Tony Baldinelli:** I have a 2022 Buick Enclave. I worked for four summers at General Motors, so I purchased a GM product. The carbon intensity that went into the production of that vehicle is cleaner than what would come in from China today. People don't realize that.

How do we get people to understand or reconcile the fact that what is coming in from China is state-sanctioned, low-cost—they're heavily subsidizing—slave labour and they're one-third of the world's carbon emissions?

**Mr. Flavio Volpe:** How do we do that?

I think we have to do things like this. We have to have frank conversations among each other that are non-partisan and ask, do we

like the jobs? Do we like the industry? Do we like the investments in Canada? If we do and if we value that EV transition, we know that the Canadian auto industry has always won when it can sell to American consumers.

What are the American regulators doing for that market? We should do the similar thing here.

Now, that's not to say that the Americans are going to take the lead. I think we have better auto drive and connected drive technology in this country. We have the upstream capabilities and the ability to be a major battery player globally here.

However, if we jump out quicker than companies like Toyota Motor Manufacturing Canada, which made 125,000 hybrids last year that don't qualify in any of the standards—we're going to try to go faster than Toyota—that means going into the arms of BYD and CATL. There's no Canadian content there and everybody there makes \$2 an hour, when they get paid.

**Mr. Tony Baldinelli:** Thank you.

Thank you, Madam Chair.

**The Chair:** Mr. Arya, please go ahead for five minutes.

**Mr. Chandra Arya (Nepean, Lib.):** Thank you, Madam Chair.

It's interesting. Obviously, with all the political parties supporting these tariffs, I don't think there are going to be any dissenting witnesses. I don't think they will dare to come and dissent before this committee. However, international free trade, as we know, is dead. I foresee a time in the near future when we'll build a firewall around Canada, the United States and Mexico. Maybe we'll open just a bit more for friendly countries like Korea, Japan, Australia and maybe parts of Europe.

Mr. Volpe, it was quite interesting when, during one part of an answer, you indicated that safety was the reason that North American car manufacturers are building bigger cars. Immediately my thought was, "What about the millions of small cars currently running in Canada now and the small cars that we are importing from friendly countries like Korea and Japan?" Anyway, that is a discussion for a different time.

Ms. Joanna Kyriazis, thank you so much. You mentioned several times and emphasized EV affordability, which I agree with, to fight climate change. We are taking the right direction to go in for the electrical vehicle thing—and not just electrical vehicles but also energy storage, etc. In talking about electrical vehicles, you mentioned affordability in a big way. As I'm sure you know, no North American manufacturers are planning any affordably sized—I mean small-sized—electrical vehicle. In your view—I know you may not have done the extensive study—how many years or decades do you think it will take for North American car manufacturers to start building affordable or small electric vehicles?

• (1210)

**Ms. Joanna Kyriazis:** I think it has to happen soon if we want to reach mainstream buyers.

**Mr. Chandra Arya:** Oh, I think it has to happen soon. I agree, but I want to know, what is your time estimate? How many years do we Canadians, who can't afford to buy bigger vehicles, have to wait?

**Ms. Joanna Kyriazis:** Let's say it will be five years, and this idea that there's no demand for smaller, more affordable vehicles is not true.

**Mr. Chandra Arya:** No. It is not true.

**Ms. Joanna Kyriazis:** The top-selling vehicle in Canada, by far, is the Tesla Model 3. Before it was discontinued, the Chevrolet Volt was the second top-selling EV. They are small, affordable electric vehicles.

**Mr. Chandra Arya:** Even for gasoline cars, if I'm not wrong, the Honda Civic is the top-selling car in North America. But anyway, I have limited time. I'm sure you appreciate that.

On the energy side we talk about how we have more critical minerals.... We talk about “from mines to mobility”. Most of the time the talks are about developing mines and batteries and about manufacturing batteries and electric cars. I don't hear many of us talking about the critical component of mineral processing, of which China controls 70% to 90% of the market in the world. Should we impose tariffs on that now?

**Ms. Joanna Kyriazis:** I think that, when we talk about the upcoming or current consultation around all of the other parts of the battery supply chain, it's very hard to paint that with a broad brush. Just in terms of the critical minerals, we have got 31 to think about, or at least six or seven that are of very high value within the EV battery supply chain. In each case we have to look at what the level of reliance is on China. What alternatives do we have available and when can they come online? What are Canada's capacities to produce those components? Then, again, what are the cost impacts on producers and, ultimately, Canadian buyers?

To talk about things like cathode active materials or battery cell manufacturing, we have landed a lot of investment in those parts of the supply chain in Canada—

**Mr. Chandra Arya:** Thank you. I have very limited time.

Mr. Volpe, I have one quick question. We have imposed tariffs on steel imports. You come from the manufacturing sector, so I'm sure you'll appreciate.... There are many products within the steel industry that are not manufactured in Canada. In fact, the CFIB, Canadian

an Federation of Independent Business, raised this issue that products that are not manufactured in Canada are also getting tariffs imposed on them, making it unnecessarily expensive for Canadian small businesses. Do you agree? Do you support the imposition of across-the-board tariffs on steel imports?

**Mr. Flavio Volpe:** I think the treatment of steel is very clear in automotive in the USMCA. You had the steel people in here last week. There's no daylight between our and their position.

I will say that this current government invested in making small electric vehicles with Honda in 2027, I believe, and they're available from all of the manufacturers that are Western-based in this market over the next few years, so I think you may want to correct that.

**Mr. Chandra Arya:** If I may, I have one last question on the same grounds.

You said, “There are no charities” in business. That's an interesting thing, because it is the right thing. I come from the private sector.

How come North American car manufacturers have stopped manufacturing small vehicles when friendly countries like Japan and Korea are still manufacturing small cars and continue to be profitable?

• (1215)

**Mr. Flavio Volpe:** Those Korean and Japanese manufacturers manufacture those small vehicles in North America at a profit. So, inasmuch as that is North American investment by a western-based player, I'm not sure your characterization is correct.

**Mr. Chandra Arya:** Do you mean to say that major manufacturers like General Motors and Ford are North America-based? I thought the argument you used—“no charities” in business—was related to small car manufacturing, if I'm not wrong. However, you are only referring to the North American-owned car manufacturers.

**Mr. Flavio Volpe:** I think you misunderstood the characterization of—

**The Chair:** Can you clarify that, Mr. Volpe, so it's clear?

**Mr. Flavio Volpe:** “There are no charities in business” means that, in the automotive business, they're all private companies. They're either private or publicly traded, but they have to produce a profit. Otherwise, there's no path forward. There's a difference. In China, you can be a major manufacturer or major supplier and not have profit as one of your dynamics.

I would say that I used “charities” in quotes. I'm sorry if you missed the nuance.

**The Chair:** I think that's clear. Everybody understands exactly what Mr. Volpe meant.



We have to go to committee business, which takes a bit of time. Does anyone have an urgent question they need to get an answer on today?

I will suspend while we go in camera.

I guess everybody is all right.

To our witnesses, thank you so very much for the information. We will take it forward. I'm sure you'll be keeping an eye on the work the committee is doing as we progress.

*[Proceedings continue in camera]*

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