

WHAT CANADIAN BUSINESSES NEED TO KNOW ABOUT THE NEW TARIFFS ON CHINESE STEEL, ALUMINUM AND ELECTRIC VEHICLES (OR: WHY YOUR NEXT EV MAY COME WITH A SIDE OF SURTAX)

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1. Tariffs on Chinese-Made Electric Vehicles and Steel & Aluminum Products

On August 26, 2024, the Government of Canada announced significant new trade measures targeting Chinese imports. Effective October 1, 2024, a 100% surtax will be imposed on electric vehicles ("EVs") manufactured in China. Subsequently, on October 15, 2024, a 25% surtax will be applied to a list of selected Chinese steel and aluminum products. These measures aim to protect Canadian industries from what the government has identified as "unfair Chinese trade practices", particularly in sectors deemed critical to Canada's future prosperity and economic security interests.

Canada's imposition of these tariffs represents a significant departure from its traditional multilateral approach to international trade. This shift aligns Canada with the United States, which recently imposed similar 100% duties on Chinese EVs and tariffs on steel and aluminum products to counter Chinese unfair trade practices.

The Canadian government has highlighted that these measures respond to a range of concerns, including the overcapacity in China's state-directed steel, aluminum and EV markets, and inadequate labour and environmental standards.

2. Economic Implications

The tariffs will place a significant economic burden on importers seeking to purchase Chinese-origin EVs or steel and aluminum products. They will also make it more difficult for Chinese producers of these products to establish or maintain a presence in the Canadian market.

The 100% surtax on EVs will apply in addition to the existing 6.1% Most-Favoured Nation tariff, leading to substantial price increases for Chinese EV imports. Similarly, the surtax on steel and aluminum products from China would apply in addition to existing duties or taxes that apply to these goods, including anti-dumping

and countervailing duties.

3. List of Covered Products Remains Open to Consultation

The Government of Canada has published an “initial list” of the steel and aluminum goods to which the surtax would apply. The [initial list](#) includes a wide range of steel and aluminum products, such as bars, pipe, plate, sheet, and wire. In its current form, it does not include products such as pipe fittings, structures, netting, and several other consumer-oriented products. The final list of goods subject to the surtaxes will be announced by October 1, 2024, with the surtaxes taking effect on October 15, 2024.

Businesses and stakeholders are invited to submit comments on the initial list. Written comments should be provided no later than September 20, 2024. Interested parties should provide the list of products that should, or should not, be covered, and reasons for the expressed support for, or concern with, the proposed surtaxes, including detailed information substantiating any benefit or adverse impacts from the tariffs. The news release did not suggest that the list of EVs would be subject to the same public consultation process.^[1]

In addition to steel, aluminum, and EVs, the Government announced that it would initiate a second round of consultations on other critical infrastructure sectors linked to Canadian security interests, including batteries and battery parts, semiconductors, solar products, and critical minerals. This 30-day consultation period is expected to shape future policy developments in these sectors, including the need for tariffs on imports from China.

4. International Trade Implications

Under Section 53 of the *Customs Tariff*, the Canadian government has the authority to impose trade measures, including tariffs, to counteract foreign policies that threaten Canada's trade interests. However, these measures may be challenged under international trade law. Following the government's announcement, China quickly urged Canada to “correct its wrong actions”, citing violations of World Trade Organization (“**WTO**”) rules.

In addition to launching a WTO challenge, China may seek to impose retaliatory tariffs or trade measures. Canadian businesses and industry sectors that export to China should consider the potential impact of such retaliation. China has previously imposed retaliatory trade measures against its trading partners on agricultural commodities such as canola, barley and wine. China has recently launched trade investigations against dairy products from the European Union (“**EU**”), with such action largely being perceived as driven by the EU's decision to impose duties on Chinese EVs.

5. Looking Forward: Future of Chinese Imports and Canadian Trade Policy

The Government of Canada plans to review the impact of these trade measures within a year of their

implementation, with the possibility of extending or introducing additional measures. As trade tensions with China escalate, Canadian businesses and foreign investors must stay informed on evolving trade policies and their potential impacts on critical sectors of the Canadian economy.

Consultations also remain open on the operation of the [Canada-United States-Mexico Agreement](#) in advance of the 2026 joint review, as well as potential new measures to advance and defend Canada's [economic security interests](#). For more information on these ongoing consultations, please see our prior [bulletin](#).

6. Contact Information

For further details on these new trade measures and their implications for your business, please contact McMillan LLP's International Trade Group. Our team, which includes former Government of Canada trade officials and leading international trade advisors, is equipped to provide strategic advice and tailored support.

[1] The surtax on EVs follows public consultations which concluded in July 2024.

By [William Pellerin](#), [Jonathan O'Hara](#), [Peter Jarosz](#), [Philip Kariam](#), [Tayler Farrell](#) & [Courtney Aucoin](#) (Articling Student)

A Cautionary Note

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