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Chair: The Honourable Judy A. Sgro



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• (1105)

[English]

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

This is meeting number 123 of the Standing Committee on International Trade.

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

We have with us today, from the Inter-Parliamentary Alliance on China, Luke de Pulford, executive director, by video conference.

From The Committee for Freedom in Hong Kong Foundation, we have Samuel Bickett, lawyer, researcher and Hong Kong human rights advocate.

We welcome you all.

We will start with opening remarks and then proceed with a round of questions. Each witness has up to five minutes, and I will keep track of the time for everyone.

Mr. de Pulford, I invite you to make an opening statement of up to five minutes, please.

Mr. Luke de Pulford (Executive Director, Inter-Parliamentary Alliance on China): Thank you, Madam Chair. It's very good to see you again.

As you heard, I'm creator and executive director of the Inter-Parliamentary Alliance on China. That's an international cross-party group of parliamentarians working to address challenges associated with the Chinese Communist Party under the leadership of Xi Jinping. I'm proud to say that this includes around 30 Canadian parliamentarians from all parties, some of whom are represented today.

On electric vehicles, since 2020, China has emerged as the largest manufacturer and exporter of EVs in the world, and its capacity continues to grow as a result of policies such as extensive state subsidies and other non-market practices. In 2023, China's annual EV exports totalled \$47.2 billion, up from \$0.2 billion in 2018. Automobile imports from China to Canada's largest port, in Vancouver, jumped 460% year over year to 44,356 in 2023.

China undermines markets and competition with massive state subsidies that amounted to \$57 billion between 2016 and 2022. A further 20% cost advantage is achieved through Chinese control

over the supply chain and raw materials. This allows Chinese EVs to undercut the market by between 20% and 30%. This doesn't even include the advantage gained through China's comparative lack of environmental and labour standards, including through the presence of forced or state-imposed labour in Chinese supply chains.

Similarly, and very importantly, Chinese overcapacity in aluminum and steel is structural, persisting and worsening. These are highly strategic industries core to the development and deployment of innovation, especially in the defence and energy transition sectors.

Despite softening global demands, China, the world's largest steelmaker, has increased its steelmaking capacity by 18.6 million metric tons since 2018. This is more than Canada's total production capacity. Similarly, China's primary aluminum capacity has grown from 11% of global production share to 59% over the last two decades, with the government investing up to \$70 billion between 2013 and 2017.

China's weakening economy now exposes this excess capacity even further, fuelling unprecedented export surges that are disrupting markets and creating spillover effects in other sectors and across the globe. Failure to address this spillover will leave our companies weakened and lacking the financial capacity to make investments required for the energy transition. Takeovers by Chinese companies, which would further embed Chinese supply chains, may end up being the only option to prevent permanent closures and resultant job losses across the whole of our own supply chain.

It's really important to emphasize that Beijing makes no secret of its intent to undermine the economic security of liberal democracies, as it views our values as an existential threat to the regime's legitimacy, and neither is Beijing averse to weaponizing its advantages in pursuit of its global ambitions.

Very briefly, what is the remedial action? What can we do? Addressing this is much more than simply seeking to protect our markets from Chinese overcapacity, unfair competition and distortionary practices. It's about the principles of free and fair trade, supporting the innovation of our companies and ensuring companies and workers gain from an energy transition that is secure and clean and aligns with our core values.

We have to think beyond bilaterals and tariffs. Low-demand overcapacity is proliferating globally in addition to and beyond China, in particular in the ASEAN, the Middle East and North Africa.

We'd recommend developing a shared strategy to address the issue in emerging economies. I want to emphasize that whatever is done, it has to be done in alignment with allies. The reason for that is that there are ways around tariffs, and the PRC has demonstrated willingness and ability to circumvent them. It's also worth noting here that misalignment with allies on tariffs can have far-reaching consequences for free trade and other bilateral or plurilateral trade agreements.

Canada could, and should, build upon the commitment from G7 leaders in June 2024 to act "together to promote economic resilience, confront non-market policies and practices that undermine the level playing field and our economic security, and strengthen our coordination to address global overcapacity challenges."

This is an international problem that requires international alignment to address.

Madam Chair, I'm very happy to address questions or recommendations, and I yield the floor.

The Chair: Thank you very much.

We go on to Mr. Bickett for up to five minutes, please.

Mr. Samuel Bickett (Lawyer and Researcher, Hong Kong Human Rights Advocate, The Committee for Freedom in Hong Kong Foundation): Good morning, Madam Chair.

Thank you for inviting me to appear before the standing committee on behalf of The Committee for Freedom in Hong Kong Foundation to talk about our work into how China uses Hong Kong to evade Canadian sanctions. This is an issue related to the import issues that you're speaking about today, and it really is about how the Chinese government is willing to evade tariffs and sanctions on a broader basis.

- (1110)

CFHK is a non-governmental organization operating in Canada, the U.S., the U.K. and the EU and is focused on human rights and freeing political prisoners in Hong Kong.

I am a human rights lawyer and an international sanctions specialist who is the author of the CFHK report called "Beneath the Harbor: Hong Kong's Leading Role in Sanctions Evasion". For this report, we extensively reviewed data sources, including Russian customs records, vessel tracking data, Hong Kong companies and registry filings. We came to one inescapable conclusion: Hong Kong has gone rogue.

Previously a key partner in the global economy, the city's government now serves some of the world's most brutal regimes by smuggling military technology, cash and prohibited commodities through the territory to flout Canadian and international sanctions.

Our findings on Hong Kong's supply of military components to Ukraine are particularly alarming. Just after the Ukraine war began, in February 2022, Hong Kong shipments to Russia dropped for two months before beginning to rise rapidly in the spring. By the end of 2022, shipments had almost doubled from pre-war levels. These were not benign shipments. Between August and December 2023, of the \$2 billion in goods shipped from Hong Kong to Russia, \$750 million, nearly 40%—and this is U.S. dollars—comprised goods on the common high-priority items list. This is a list of items that Canada and its allies consider to be of the highest priority to Russia's war effort.

Statistics aside, our report reveals how the Chinese and Hong Kong governments are allowing unprincipled people to profit off the most dangerous, destabilizing states in the world, in particular the regimes in Russia, North Korea and Iran.

To give a couple of examples from our findings, the Hong Kong company called Piraclinos, which claimed to sell fertilizer and charcoal, shipped millions of dollars in military-grade semiconductors to sanctioned Russian military supplier VMK. We discovered that its true owners are carefully hidden behind a network of front directors and shareholders from Cyprus, Kyrgyzstan and Bulgaria. Neither Piraclinos nor any of their front companies or individuals have been sanctioned.

Li Jianwang was a Hong Kong trader who ran Arttronix International, a company shipping drone and missile components to Iran, which has regularly supplied these weapons to Russia and Middle Eastern proxy militias. When the U.S. sanctioned Arttronix last year, Li simply dissolved the company and started a new one called ETS International, which remains unsanctioned.

Hong Kong company Align Trading reported shipping two cargoes of integrated circuits purportedly produced by French company Vectrawave to AO Trek, a company suspected by Ukraine to be supplying the Russian military. Vectrawave is a military contractor that produces expensive, highly specialized chips for use in military aircraft and communications equipment. None of the companies or individuals involved have been sanctioned.

As this is happening, the Hong Kong government, at the behest of Beijing, has explicitly said that it won't intervene to enforce Canadian or international sanctions, effectively inviting these smugglers to set up shop in the city.

What can Canada do? For starters, Canada should use its new secondary sanctions authority to sanction Hong Kong, Chinese and other third-country evaders. In mid-2023, Canada amended the Special Economic Measures Act to permit secondary sanctions. This was a positive and essential step to addressing the problem, but more than a year later, Canada has yet to exercise this power. The United States and the EU, in contrast, have regularly designated third-country collaborators for sanctions throughout Russia's war in Ukraine.

Simply sanctioning trading companies is not enough, however. It is extraordinarily easy to dissolve a sanctioned Hong Kong company and set up a new one in a matter of days. Canada and its allies must get serious about targeting the infrastructure behind these activities by sanctioning logistics companies, corporate service agencies and, most importantly of all, financial institutions. Also, more focus must be placed on sanctioning the individuals behind these companies and, importantly, this must be done in concert with allies in the U.S., the EU and Australia.

Second, Canada should ramp up enforcement against Canadian participants in these schemes. In September 2023, the U.S. Treasury Department published data on suspicious activity reports related to Russian sanctions evasion. Of western countries discussed in the report, Canada ranked third, after the U.S. and the U.K., for SARs filed against its citizens. The companies and individuals named in these SARs are not public information, but they suggest there is the potential for more expansive investigation of Canadian sanctions evaders.

Finally, Canada and its allies must speed up the sanctions designation process. It typically takes many months to investigate and sanction a person. This pace has allowed evaders to run circles around the west, moving assets and changing corporate identities long before sanctions catch up to them. Bureaucracy and layers of review should be minimized, and investigators should be empowered to move quickly and efficiently, while being provided with all the resources they need. With Russia slowly but surely encroaching further into Ukraine, there is limited time for Canada and its allies to take decisive action. We strongly encourage the committee and the government to prioritize this issue.

Thank you for your time. I'm happy to answer any questions you have.

• (1115)

The Chair: Thank you very much to both witnesses.

It's now over to Garnett Genuis for six minutes.

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

Thank you, witnesses, for being here, and for your very important and powerful testimony.

I'll start with Mr. de Pulford.

In your view, is the Government of China deliberately pursuing a strategy to dominate the electric vehicle supply chain and undermine our strategic industries, or is it proceeding in this direction by happenstance?

Mr. Luke de Pulford: The short answer is yes. You don't have to take my word for it. You can listen to the words of the man himself. In a speech delivered at the 7th session of the Communist Party's finance and economic committee in April 2020, Xi Jinping said that China will aim to form a counterattack and deterrence against other countries by fostering killer technologies and strengthening the global supply chain's dependence on China.

That is a very literal translation, Mr. Genuis. You can see quite clearly that this is an explicitly stated strategy of the Chinese Communist Party. Why governments around the world continue to sleepwalk into this is a question that is completely beyond me.

Mr. Garnett Genuis: Mr. de Pulford, I think that's a very powerful quote, because you're bringing us the words of Xi Jinping that explicitly frame the effort to dominate the electric vehicle supply chain in military terms—"counterattack" and "deterrence". He is pursuing a policy that seems aimed at dominating and controlling these industries as part of what he perceives to be competition with us.

Our response, presumably, must be to take steps to not be dependent on the Chinese economy for these critical industries, and to allow ourselves to have other sources and alternatives that don't invoke the potential for this kind of counterattack and deterrence. Do you agree?

Mr. Luke de Pulford: Yes, I agree. Unfortunately, I fear that, in some industries, it might be a bit too late. Certainly, when it comes to rare earth materials, for example, China's processing capacity so dominates the global ability to process these kinds of materials that it's pretty difficult to know how else and where else we can get it done. Similarly, in renewable energy, or even in the production and processing of lithium and lithium batteries.... So many different areas related to renewable energy alone have become totally dominated by China as part of this explicit strategy.

Yes, auditing and reducing dependency as a matter of urgency is something we all ought to be doing.

Mr. Garnett Genuis: Thank you very much.

I want to ask you about the ESG movement. I'll make a statement and invite your comment on it.

Too often, the ESG movement has led to an exclusive focus on the “E”, ignoring the social and governance consequences, as well as the strategic consequences, of certain decisions. The push for a green transition has been accompanied by certain decision-makers turning a blind eye to human implications in the way the sourcing of these materials has led to slave labour and deplorable conditions in, for instance, mines in the DRC. I know you have done a great deal of work on the Uyghur genocide, which is part of this, as well.

Do you agree that this is a problem, and is it critically important that we hold green industries to strong human rights standards and not allow a blind eye to be turned to human rights in the name of an aspired-for green transition?

• (1120)

Mr. Luke de Pulford: Without naming any specific companies and potentially abusing parliamentary privilege in the process, it has been a surprise to me just how many companies have been happy to burnish their credentials around the “S” and the “G” while continuing to source shamelessly from places that are known to be rife with Uyghur forced labour.

Let me give you a couple of examples. All four of the Uyghur region's polysilicon manufacturers are strongly implicated in the forced labour of Uyghurs—all four of them—and that accounts for about 40% of the global supply of polysilicon, without which it isn't possible to make solar panels.

Key actors in the lithium processing and distribution supply chain are very strongly connected to forced labour transfer schemes, these government-sponsored schemes where people, mainly from ethnic minorities, are effectively dumped in companies where they have to work against their will. We know this from Chinese government data, and it's demonstrated very credibly in the literature. Why these companies seem to be able to hold their noses where there's such a clear connection to forced labour is rather baffling.

I tend to agree with your analysis.

The Chair: Thank you very much.

We'll go to Mr. Sidhu for six minutes, please.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Madam Chair.

Thanks to our witnesses for coming today on this very important study.

Mr. de Pulford, the Canadian EV sector is growing, and we obviously see a future in which it will be a vital part of the green transition. How crucial is it that we protect these industries in their infancy from unfair labour practices?

Mr. Luke de Pulford: It's absolutely crucial, and it's crucial to do that in concert with allies.

We have to find ways of ensuring that the tariffs that are now being imposed by Canada itself—in a very welcome decision around tariffs imposed by Canada itself—but also by the EU do not find themselves circumvented by China through the development of electric vehicles in, say, Slovakia or perhaps other eastern European countries, and that there are no weak links in the chain of resilience.

Without that, it's hard to see how our electric vehicle industries are going to be able to survive when—you heard the numbers that I recited earlier—tens of billions of dollars of state subsidies have been pumped into them and the overcapacity is now so extraordinarily high that all of our domestic industries are on a hiding to nothing.

Absolutely, we need to do more to seed investment into our own electric vehicle manufacturing supply chain, but we need to ensure that we are resistant to the market distortion that China has become extraordinarily adept at meting out to our industries.

Mr. Maninder Sidhu: You mentioned Europe. Perhaps you can build on that. What is Europe doing differently from what we're doing here in North America? I'd like to learn more about that from your perspective.

Mr. Luke de Pulford: The European Union itself has just decided to impose tariffs on Chinese-made electric vehicles, and it's done that partly because last year, something in the region of well over 25% of electric vehicles in the European Union were produced in China.

The slight difficulty is that not every country in Europe has a similar relationship with the People's Republic of China. Some that decide not to impose bilateral tariffs or even unilateral tariffs might find themselves exploited as a market for Chinese electric vehicles.

For example, in my own country, the United Kingdom, which has not yet decided whether or not it will impose tariffs on Chinese electric vehicles, what that may mean is very cheap electric vehicles for U.K. consumers, but it's also going to mean an utter defenestration of the U.K. car industry, or what remains of it.

There's a bit of a disparity, just to answer your question, Mr. Sidhu, but I think there is clearly alignment between the European Union and Canada when it comes to tariffs, and that should be expanded to ensure that there is real trans-Atlantic resilience.

• (1125)

Mr. Maninder Sidhu: Yes, there definitely has to be unity shown against this.

We have unity here in North America, as you know. In addition to the study that we're doing here on the EV sector, our government is making decisive decisions to protect the industry and its workers. Our committee is also seized with the issue of the upcoming CUSMA review, which we began studying in the spring and which we'll be returning to shortly.

In your view, could the alignment that we've seen among CUSMA member states on EV tariffs help facilitate negotiations on these issues when it comes to the CUSMA review?

Mr. Luke de Pulford: Yes, absolutely. As I was trying to indicate in my presentation at the very beginning of my opening remarks, clearly the G7 commitment on this also needs to be fleshed out. I think there could be a real harmonization and cross-specialization between those two things. The key thing is to really underline and emphasize that if we think we're going to be able to deal unilaterally with this overcapacity and state subsidy problem—which is effectively dumping, although technically it's not—from China, we're really not. We need to try to create fertile soil for international co-operation wherever possible.

Mr. Maninder Sidhu: Thank you.

I have probably less than two minutes left, but I'll come back to you for recommendations. If there were three things that you would recommend to the committee or other member states to do to protect our industries, what would those be? You may have mentioned this in your opening statement, but I might have missed it.

Mr. Luke de Pulford: It's very important to audit dependency with a view to reducing that throughout these industries, but certainly in concert with allies. Again, I'll underline that whatever is done needs to be done in alignment with allies to ensure harmonization between our imposition of tariffs, for example, and our free trade agreements with one another, which can't be jeopardized where there is misalignment, and that currently is the case. There's quite a lot to be ironed out there.

I also feel that we need to do a lot more to bring front and centre our commitment to human rights in supply chains. We want a slave-free transition. We don't want a green transition on the back of Uyghur slavery, and if we continue to depend on China, that's what we're going to get.

Mr. Maninder Sidhu: Thank you for that.

Madam Chair, I think I have less than 30 seconds left, so I'll cede my time. There's not enough time.

The Chair: Thank you very much.

Mr. Savard-Tremblay, go ahead for six minutes, please.

[*Translation*]

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

I would like to thank the witnesses for their very useful presentations.

My first question is for the representative of the Inter-Parliamentary Alliance on China, or IPAC, of which I am a proud member, by the way, and which has members from several legislatures around the world.

Mr. de Pulford, on May 15, just before the G7 summit, you issued a statement outlining some of the priorities you wanted to see addressed at the summit. One of these recommendations was to coordinate responses to cases of economic coercion by any state actor, including China.

Do you fear that economic coercion measures could be put in place by China in response to the tariffs that have been implemented? What action do you recommend, if any?

[*English*]

Mr. Luke de Pulford: Thank you very much indeed for that question. I think there are a couple of things to say about economic coercion.

The first, and perhaps the most important, is that we are still lacking a coherence in terms of our response. You might remember that in the case of Lithuania, which, it was argued, had illegally been coerced by Beijing, there was a case brought forward by the European Union at the World Trade Organization, which was recently dropped under slightly mysterious circumstances. We know that the European Union has an anti-coercion tool or mechanism, which we've not seen work. We also know that the G7 has come forward with various proposals to try to combat economic coercion, but we've not really seen it happen. All of that is to say, there's a lot of talk and not much action. Economic coercion is extremely difficult to deal with.

I tend to rather agree with the former secretary-general of NATO, who spoke about an economic article 5, that we need to find a way of ensuring that when one of our democratic number is bullied or singled out for economic coercion, we will all come together and do what we can to support them.

Quite an interesting example of this, without going on too long, was the Australian wine tariffs. After Australia had asked for an investigation into the origins of COVID, China imposed 220% tariffs on Australian wine, which could have caused some economic damage, but the rest of the world seemed to pick up and buy more Australian wine to deal with it. That would be a slightly fatuous example of an economic article 5 that might be something we can look at.

Briefly, we need to find a way of coordinating our response to economic coercion, and we need to make sure that the commitments we've had at the G7 and the European Union amount to something.

• (1130)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'd like to take this opportunity to ask you to expand on another of your recommendations, namely, to establish a coordinated approach to tackling forced, state-imposed labour and to promote human rights due diligence, while committing to updating, improving and coordinating risk advice to companies operating in or sourcing from problematic regions.

Do you believe that Canada's current legislation should go further and strengthen the role of the Ombudsperson for Responsible Enterprise?

[*English*]

Mr. Luke de Pulford: Thank you very much for the question.

Human rights due diligence is exceptionally important, particularly as we move toward an increasingly interconnected global economy. Unfortunately, in China, any due diligence, let alone human rights due diligence, is very difficult to perform. In fact, the consensus of human rights experts is that human rights due diligence in the Uyghur region is impossible to perform, for the simple reason that it isn't possible to take somebody who is Uyghur out of a factory and interview them freely with them speaking freely. In fact, they would probably suffer reprisals if they were to tell you about the conditions in the factory.

Basic human rights due diligence simply isn't possible in the Uyghur region, yet many big, multinational companies continue to source from that region knowing that human rights due diligence is not possible. I think what this tells us is that our human rights due diligence protocols are not up to scratch. They don't work.

You can see from a number of examples recently of companies withdrawing from Xinjiang that there is an acknowledgement that it's becoming more and more difficult. Here's one very good example, although it doesn't have to do with human rights. Staff from a German due diligence firm were imprisoned just the other day. They were imprisoned because China had accused them of espionage, which is something that happens routinely. The reality is that China didn't like them digging around in the details. Well, that's the job of people doing due diligence. If they're not able to do it in China, we need to ask ourselves some very serious questions about how we can continue to source from that region.

The Chair: You have 40 seconds remaining.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: You mentioned espionage. This will allow me to segue into my next question.

The committee received Mr. Charles Burton, professor and specialist in Chinese affairs. He argued that Chinese electric vehicles could facilitate Beijing's foreign interference; Beijing's tendency to collect data is well known.

Meanwhile, Mr. Daniel Breton, of Electric Mobility Canada, said he had it on good authority that industrial espionage had taken place in Canadian research centres.

Can you tell us more about these concerns?

[English]

Mr. Luke de Pulford: One of the most important things is to ensure that we don't end up stigmatizing all Chinese people because of the behaviour of the Chinese state. That would be a mistake, and we don't want to lurch into McCarthyism around this.

However, it is true that through the United Front Work Department and through many other overseas Chinese organizations, there is penetration and infiltration of many layers of our economies, and that includes the Canadian economy. It has been well demonstrated by your inquiry into interference. Very unfortunately, I think we are at a stage now where we have to take our due diligence extremely seriously and where we would recommend that it is not safe, sadly, to allow certain nationals to participate in sensitive research projects.

The Chair: Thank you very much.

You have six minutes, Mr. Desjarlais.

Mr. Blake Desjarlais (Edmonton Griesbach, NDP): Thank very much, Madam Chair.

I want to thank the witnesses for being present with us today. The work you're doing is incredibly important.

I think Canadians, right now in particular, are in a position where they're combatting the reality that we have a severe vulnerability in our supply chain management. We saw that particularly throughout COVID, but now we're seeing it manifested across the globe. We're finding ourselves a stage back—maybe a place behind—particularly when it comes to some of the extreme dependencies mentioned by Mr. de Pulford.

Mr. Bickett, we reviewed your report, and there are some serious and extreme instances here that I think Canadians and our committee would do well to understand more. One of the key findings you discovered, according to your report, relates to this issue. I may be oversimplifying it, but please correct me if I'm wrong. Let's say Russia wants Canadian goods. Let's say they're parts of weapons and important, critical components. Hong Kong is being used as a particular port of entry for these markets, even against sanctions that would prohibit these particular goods that Canadians make from entering these kinds of illicit regimes.

Can you walk us through how something like that could take place, given Canada's existing sanctions regime?

• (1135)

Mr. Samuel Bickett: There are a number of ways that this can happen. It's important to state that there are different types of goods here. There's been a lot of press around, say, a company like Texas Instruments, which has very cheap calculator parts. They're important for military goods, but they're very difficult to control.

There's a separate category, one that I spoke about in the introduction, like Vectrawave, which makes highly specialized and very expensive chips, or something more in the middle, like Nvidia, which makes relatively expensive chips that are relatively rare. They're very important for these advanced types of machines. Those more specialized categories are the ones that it is best to focus on.

What's happening is that you're not shipping these things directly to Russia from Canada, the United States or Europe. They're being shipped elsewhere, and often not actually to Hong Kong. Hong Kong doesn't release its customs records, and there's no way to access them, so we don't know exactly where they're coming from. They might be in several different places going around the world. What's important here is that certain companies have made it clear that unless governments crack down on them and, essentially, take steps to deter and enforce regulations against them, they're not going to do anything.

Recently, Nvidia's leadership gave an example that if the speed limit is 75 and they're going at 65, they're not breaking the law, and they're going to do it. That was in reference to them sending extremely advanced GPUs to China. China is then using those to advance its AI. That's the attitude you're getting from many businesses in North America and Europe. They are saying, "If you guys don't stop us from doing this, we're going to do it to the extent that we're able to do it."

Right now, Canadian and American companies can send their goods to different places. They can do a few check marks. There was a great example we talked about in our report of a New York company that asked, through email, a man, a Russian citizen who was based in Hong Kong, to confirm that he didn't plan to send its advanced technology to Russia. He wrote in an email, "I will not send this to Russia." He was sent a bunch of OLED displays that can be used in scopes for weapons.

There's that kind of example. They're going to do the minimum. Increases are needed on due diligence requirements, and enforcement against those who sort of put their heads in the sand like ostriches and don't do what they're supposed to do when it comes to really making sure their supply chains and distributors are doing what they're supposed to do.

Mr. Blake Desjarlais: That's part of the issue that you're describing here. It's this network. It's this massive and quite sophisticated network, I'd suggest, that relies on the prior infrastructure that Hong Kong and many western democratic states really included, supported or created. Has this familiarity perhaps created some vulnerability?

Mr. Samuel Bickett: I think that's right. Hong Kong is not the only place in the world that's like this, but in Hong Kong, you can create a company in 24-48 hours. You can dissolve a company almost as quickly. That's what's happening here. As I emphasized in the introduction, a big problem here with western sanctions is the speed at which they're done. When it takes months to investigate and sanction a company, by the time a company gets sanctioned—and we've seen it multiple times—that company no longer exists, because it has already switched over to something else. Sanctions are way too slow.

Mr. Blake Desjarlais: It's like trying to dodge a truck coming from a hundred miles away.

Mr. Samuel Bickett: Before Hong Kong went rogue and moved away from the west.... It has always been a place where you could do that, but it was a lot more focused on criminal organizations and things like that. That infrastructure, which was friendly towards criminal organizations that wanted to hide their assets, is now being used for a more political purpose.

Mr. Blake Desjarlais: Have you sent this report, in particular, to any government officials in Canada, and how have they responded?

Mr. Samuel Bickett: I wasn't up here, but some members of our team from The Committee for Freedom in Hong Kong Foundation did come up to speak to officials here. That led to this hearing. We understand it was received very well by all parties and from all sides of the debate. There is concern in Canada, and we appreciate that. We're happy to work with the government and this Parliament on trying to implement some of these things.

• (1140)

The Chair: Thank you very much.

Next, we have Mr. Baldinelli for five minutes, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair, and thank you to the witnesses for being with us today.

I want to build on what my colleague was speaking about with Mr. Bickett.

Mr. Bickett, you mentioned in your testimony that the administration of Hong Kong has essentially gone rogue now on using the territory to flout the sanctions. You've prepared this report. Do we have any Canada-specific numbers as to how much these sanctions, a dollar total, are being circumvented by essentially being sent through places like Hong Kong?

Mr. Samuel Bickett: Do you mean for Canadian companies that are exporting and their goods ending up...? We don't have numbers for that. That's not public information, because if it goes through these multiple different countries.... Interestingly, one reason that we can do a lot of this work on Russia is that Russia releases a lot more customs information than most places do. That's why we have what ultimately arrives in Russia.

What we do know about Canada is that it's pretty high on the list of suspicious activity reports from financial firms for Russia's sanction evasion, which suggests that there is some need to do more enforcement and more investigation into numbers that we don't have.

Mr. Tony Baldinelli: I was going to follow up on that notion. You speak of secondary sanctions and the concern about Canada being high on these lists now in terms of sanction evaders. You speak to the need for quicker investigative methods and that right now sanctions are too slow. How can we improve our investigative methods to bring about a quicker resolution? You're saying that sometimes, by the time government acts, these companies are already closed. Is it CBSA? Is it the RCMP? Is it FINTRAC? Are they working together?

How can we get a coordinated approach to tackle this issue of sanction evasion?

Mr. Samuel Bickett: Part of what we've done, particularly since releasing this report, is meet with investigative agencies. We hear routinely that there's a need to strip away bureaucracy. You need to have approvals and you need to reach a certain level of evidentiary standards, but there's a need to make sure that this stays with people who are able to do this quickly and understand what's going on. That comes down to really letting these agencies do their job without having this get held up in a lot of review and things like that.

There's also just a need, frankly, for more budget and more people to be able to investigate these things. At this point, we've done more work with the U.S. government on this than the Canadian government, with understanding the weeds of that. To give an example here from the U.S. side on Russian sanctions evasions, the organization BIS, which is responsible for investigating these things, only has a very small number of people who are able to investigate this. Having done this ourselves in a private capacity outside of the government, it takes many months to pull together even a few names and pull together the evidence on them.

It shouldn't be two, three or four people who are in the government investigating these things. It should be dozens or more. There are hundreds of companies in Hong Kong alone, much less China or the Middle East and autocracies there, that have filled up these holes, filling the void and reshipping these things.

Mr. Tony Baldinelli: I want to go to Mr. de Pulford.

You talked about a coordinated approach in responding to China. What changes in trade agreements or policies would most effectively counteract China's unethical practices, such as forced labour and environmentally harmful waste disposal?

Mr. Luke de Pulford: Thank you very much indeed for the question.

I think that what we can do, and what we have yet to do in a really meaningful way, is ensure that plurilateral trade agreements have very meaningful commitments to human rights due diligence.

I'll give you an example. Right now, the CPTPP does contain quite extensive provisions around labour. It has quite high labour standards, but in practice, they don't mean very much because you can more or less join that agreement if the members say you can. The assumption had always been that China would never be able to join the CPTPP. Their labour standards are way too low. The reality is *realpolitik*. They'll be able to join if the members say they can.

I think that ensuring that there are non-negotiable principles around shared values, human rights and due diligence in supply chains would be a very good start.

There's much more that we can do. I think there should be a coordinated reduction of dependency upon China, not just unilaterally—not just Canada saying that it's too dependent. We need democratic nations to come together and say, we have this common problem, so let's find a common solution. If it requires us to pool our resources in order to seed alternative markets, for example, let's do that. It's going to be much easier dealt with together than on our own.

• (1145)

The Chair: Thank you very much.

Mrs. Fortier, you have five minutes, please.

[Translation]

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

Thank you to the witnesses for joining us and supporting us on this study, which is very important, both to the committee and to the government.

My first question is for both witnesses.

You alluded to it in your opening remarks, and I would like you to share your opinion with us a bit more directly. How does the importation of electric vehicles made in China and containing Chinese technology threaten Canada's national security and Canadians' privacy and personal data?

[English]

Mr. Luke de Pulford: I would say, in two ways. First would be through what people call cellular modules or CIMs, which are susceptible to remote manipulation because they require software updates from the manufacturers. There have been a number of reports, sadly, about remote access and remote manipulation of Chinese-made cellular modules in electric vehicles, including one in the United Kingdom. It was in a ministerial car, which was bugged as a result, so these are really very important national security implications around this.

In addition to that, a key point about data transfer is that we have, in the European Union, the general data protection regulation, GDPR, but the reality of that situation is that it doesn't really save us when it comes to data transfer to China. The reason is that it's still possible for any company to transfer to any partner company in China if they have contracts with each other and there are certain clauses in those contracts. Those clauses say that they will, of course, protect people's data. However, they don't, and they can't. The reason that they can't is that, in China, the intelligence security law of 2017 and a number of other pieces of legislation require every Chinese company to hand over data upon request and to deny that such a request has happened if they are asked. So, from a data protection point of view, that means that your data can be legally transferred to China, that the state may have access to it, that you will never know, and that the company is not permitted to tell you by law.

[Translation]

Hon. Mona Fortier: Thank you.

Mr. Bickett, did you wish to add anything to your opening remarks?

[English]

Mr. Samuel Bickett: Sure.

I'll really emphasize here that you'll hear Chinese companies—and we even see this with companies like TikTok, which are technically based in Singapore—assuring you that they don't want to turn over Canadians' information, that they don't want to violate people's privacy, that they want to work with you on these things. Frankly, a lot of the time they're telling the truth. These are guys who are capitalists, and they want to make money. However, what they won't tell you is that they don't have a choice in the matter. If they are operating out of China, if they are a Chinese company or if they have connections to China even if they're officially based internationally, if they are asked for personal information, they will provide it. If they are told in a dispute, in a war or anything like that to trigger problems with their technology across the world to attack infrastructure, they will have to do it.

All of these things are major national security concerns. I think that Canada and the west have long benefited from free markets, and that has been a very helpful thing to the world. However, we can't do that at the expense of national security. There needs to be a much clearer-eyed view of what's going on here.

• (1150)

Hon. Mona Fortier: Thank you, Mr. Bickett.

[Translation]

You spoke about sanctions earlier. In the current context, aside from these sanctions and the tariffs already imposed by Canada, could Canada take other measures against China, in collaboration with its partners?

[English]

Mr. Samuel Bickett: Absolutely. There a number of them, but the one that I'll really emphasize today.... Well, I'll emphasize two. The first one is human rights sanctions. The United States sanctioned a number of officials, in Hong Kong in particular, for their crackdown on the democracy movement there. I was a political prisoner for four months in Hong Kong, and there are still many of my friends and our fellow movement folks over there. About 1,800 people have been political prisoners, at last count. The U.S. has a program to sanction officials who were involved in eliminating Hong Kong's autonomy, as well as in cracking down on democracy and human rights there. We would very much like to see Canada, the EU and Britain join those sanctions to ensure that these officials feel some punishment for that—that's number one.

Number two is more with respect to the report here. As I mentioned in the opening statement, Canada now, very recently, as of last year, changed its laws to allow for secondary sanctions. Previously in Canada—with respect to, for example, the Russia sanctions—it was sanctioning Russian companies and individuals, and there would need to be a separate sanctions regime to, for example, sanction Hongkongers for what they were doing in Russia. That's no longer the case. The law has changed, and so secondary sanctions can be issued. The U.S. issued some of these—not enough—and we pushed them very hard on that, as well as the EU. We would like to see Canada—and this would be a very easy thing to do—at least catch up to those U.S. and EU sanctions. Where investigators there have already completed those secondary sanctions investigations, Canada could join them very easily. We would also re-

ally like to see countries like Canada take the lead in pressing their allies to do more on this front.

The Chair: Thank you very much.

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

[Translation]

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

I would just like to continue my discussion with Mr. de Pulford where we left off.

Mr. de Pulford, you told us about your concerns that espionage could lead to data collection in the fields of research and transportation electrification, as well as on electric vehicles themselves.

How could we protect ourselves from these attempts to interfere with technologies?

[English]

Mr. Luke de Pulford: I would like to emphasize the importance of the work being done in Canada at the moment through your inquiry into interference. What that is doing is mapping out the operations and activities of the United Front Work Department, which other countries, frankly, haven't done in an explicit way.

I want to underline one aspect of the UFWD: talent acquisition agencies. These talent acquisition agencies operate all over the world, including in Canada. Their purpose is to try to get Chinese nationals to go back to China to work, sometimes in state-owned industries but, generally speaking, to take the expertise they gained in Canada, sometimes in sensitive research scenarios, and to use it back in China. Those talent acquisition agencies need to be thoroughly investigated, and their activities need to be stopped. This is something, unfortunately, we're suffering in many places. That's just one way that we can confront the infiltration and influence operations of the United Front Work Department.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: The members of your alliance are from many parliaments around the world.

Here in Canada, no cargo has been seized under the Fighting Against Forced Labour and Child Labour in Supply Chains Act, while in the United States, the illicit goods seized from the Uyghur region alone are worth over \$700 million.

How do you explain this disparity?

[English]

Mr. Luke de Pulford: Well, I think it might come down to capacity and political will. The truth is that the legislation in place in the United States imposes what they call a “rebuttable presumption”, so they presume that things coming from Xinjiang are tainted with forced labour until it's proven otherwise. That reversal of the burden of proof means it's really quite easy for U.S. Homeland Security to do quite a lot more to stop the import of those products.

I think it's down to the seriousness with which we take these issues, but also down to the strength of the tools we have. The legislation that the U.S. has is much stronger than everywhere else because of the rebuttable presumption.

• (1155)

The Chair: Thank you very much.

Mr. Desjarlais, you have two and a half minutes.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

I want to return to Mr. Bickett to elaborate on a case within your report:

In *U.S. v. Hossein Hatefi Ardakani & Gary Lam*, filed in December 2023, the defendants were charged with crimes related to the procurement of U.S.-manufactured dual-use microelectronics for Iran. Ardakani, an Iranian national, and Lam, a resident of Hong Kong and China, allegedly conspired to illegally purchase and export these components to support Iran's drone (UAV) program.

Through “a sophisticated network of front companies”, components for UAVs “were shipped to Hong Kong before being re-exported to Iran. This network allegedly involved multiple companies in France, Canada, and China—some aware of the ultimate buyer and some not.”

Mr. Bickett, can you expand on the involvement of Canadian companies in this case?

Mr. Samuel Bickett: This was a situation that's a pattern for Iran, which is probably the most sophisticated of all of these sort of rogue state actors on these fronts. They've had a long time now to develop their ability to hide their sales of oil and their acquisition of goods for their drone programs, for their missile programs. They do it very effectively. There have been some leaked emails and things like that, which have given us some insight into this.

Iran, all over the world, has front companies in jurisdictions where it is able to create these through locals or through non-locals who put these together. That includes in Canada. Canada is not the biggest centre of that. The U.S. is used quite a bit as well. Being able to trace these companies in places where beneficial owners are protected can be quite difficult.

It's not that this was being run out of Canada; it's that there were front companies set up there, and there would be multiple cash transfers involved between different front companies across the world. If they lose a couple of them, they still have a lot more to back it up. I wouldn't over-read the Canadian element there, but it is certainly something that would be important for the Canadian government to track.

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

Mr. Genuis, I'm trying to give everybody an opportunity here, so we have four minutes for you and then four minutes for Mr. Sidhu.

Mr. Garnett Genuis: Thank you, Madam Chair.

Mr. de Pulford, you spoke, in response to my colleague's question, about the differences between the American government's relative success in stopping products made with forced labour coming into the United States, and about Canada's catastrophic failure in preventing products involving forced labour from coming into our country.

You mentioned legislative differences between Canada and the United States, and you also mentioned potential issues of capacity. It has always seemed to me, though, that we can address the capacity challenges by having effective alignment among democracies. You understand that it's difficult to trace origins and that digging into supply chains can be complex, but if we collaborated more effectively with like-minded allies so that we could be sharing information, we would ease any capacity pressures and ensure that we would be succeeding at the level of our allies.

I would like to see a situation where, if a shipment is turned away from Seattle because it has products made with forced labour, it can't simply go and dock in Vancouver, so that we're benefiting from American experience and know-how and, really, the bipartisan work that's been done there. I also wonder if this kind of framework for collaboration could be extended to more allies, and if we could establish some kind of partnership involving our North American economies but also Japan, the U.K., Europe, etc.

What do you think about the possibility of establishing some kind of effective alignment on preventing products made with forced labour from coming into our economies and sharing information in the process?

• (1200)

Mr. Luke de Pulford: I think it would be long overdue, but the complexity of the task shouldn't be understated. For example, in any phone, you will have literally hundreds, possibly even thousands of sourcing inputs. For each of those sourcing inputs, you will have a different supply chain or a slightly diverse supply chain. Trying to map out exactly where every single piece of that thing comes from is an extraordinarily complex thing, but companies know how to do it—otherwise, where do they get those things? It is very possible.

Mr. Garnett Genuis: Can I jump in quickly on the complexity piece?

My point is, if the Americans are doing it, can we not simply make better use of the information they're already gathering? It's complicated for someone to do it, but it would seem less complicated to have multiple countries benefiting from the same information than to have everyone doing that work themselves.

Mr. Luke de Pulford: I think the point I was making is that what's so revolutionary about the Uyghur Forced Labor Prevention Act is that it provides that you cannot import anything from there. It's not just a whole phone; it's also the bits. It's the constituent parts, and that makes a big difference.

I was coming to address your point. Complexity is not a reason not to do it, and we do have some interesting new tools. For example, with organic materials, there are companies like Oritain. Oritain isn't the only company. There are companies like Oritain that have isotopic maps of various parts of the world and have technology so sensitive that they can take a hair on your head and tell you where you've been over the past six months. Any organic material they can test, and they can tell you whether or not it comes from Xinjiang.

We don't need to be doing this all-encompassing thing here. We can spot-check companies, and some companies do have contracts with Orbitain and other similar organizations. There are ways around this. I don't believe in the capacity argument. It's a question of political will, but we do have to have the legislative tools, and at the moment, I believe that really only the U.S. does when it comes to Uyghur forced labour.

The Chair: Thank you very much.

Mr. Sidhu, you have four minutes, please.

Mr. Maninder Sidhu: Thank you, Madam Chair.

Building on sanctions, I want to mention this from budget 2024:

Since 2017, the government has undertaken significant work to crack down on financial crime:

Investing close to \$320 million since 2019 to strengthen compliance, financial intelligence, information sharing, and investigative capacity to support money laundering investigations;

Creating new Integrated Money Laundering Investigative Teams in British Columbia, Alberta, Ontario, and Quebec, which convene experts to advance investigations into money laundering, supported by dedicated forensic accounting experts;

Launching a publicly accessible beneficial ownership registry for federal corporations on January 22, 2024. The government continues to call upon provinces and territories to advance a pan-Canadian approach to beneficial ownership transparency;

Modernizing Canada's anti-money laundering and anti-terrorist financing framework to adapt to emerging technologies; vulnerable sectors; and growing risks such as sanctions evasion; and,

Establishing public-private partnerships with the financial sector, that are improving the detection and disruption of profit-oriented crimes, including human trafficking, online child sexual exploitation, and fentanyl trafficking.

Budget 2024 takes further action to protect Canadians from financial crimes.

I'd like to ask the witnesses here with us today about the anti-money laundering legislation and actions that we put into place, and how those have helped address some of the gaps in the sanctions.

Maybe, Mr. de Pulford, we can start with you. I think you were talking about sanctions.

Mr. Luke de Pulford: I think that, of the two witnesses, Mr. Bickett is probably more qualified to address that question on this issue.

Mr. Maninder Sidhu: Sure.

Mr. Samuel Bickett: I'm not an expert on Canadian law, but we think the biggest thing that Canada has done—which I'm very approving of—that can potentially address some of the shortfalls in the sanctions program is revise the law to permit third-country sanctions. Again, it hasn't been used yet. In particular, if you're going to address something like a rampant effort by multiple countries to evade Canadian sanctions through trade companies, you're not going to be able to end that by just sanctioning the ultimate beneficiaries of that in Russia and Iran. You have to sanction the evaders. Even that, as we were talking about earlier, is not really going to change that much, because they can simply start a new company. They can always find new people to do it.

Ultimately, what we would really like to see—what we've been really emphasizing in Canada, the United States and the EU—are sanctions against some of the infrastructure companies, particularly,

and most important of all, financial firms. The new sanctions authority that Canada has given itself allows that to happen where there are regional banks—in Asia, in particular—that we know are financing quite a bit of this illicit trade. You don't have to sanction the Bank of China, but if you sanction a smaller regional bank, every other bank will fall in line.

As I mentioned earlier, when it comes to corporates and financial firms, they will fill the holes and push the limits as far as they can. Really, the only way to get them to revise how they're acting is to issue some sanctions and to set a few examples. They will then revise their due diligence programs. They will very quickly stop doing the things that they do.

In short, I would say that there's been progress in revising the law—and that's great to see—but we would really encourage more use of the new tools that are available.

• (1205)

The Chair: Thank you very much.

Thank you to our witnesses. We very much appreciate the valuable information today.

We will suspend momentarily until our other witnesses can come to the table.

Thank you.

• (1205)

(Pause)

• (1210)

The Chair: I call the meeting back to order.

My apologies for the delay, but we'll make sure that you get sufficient time to make your points with the committee.

We have, from the Canadian Institute of Steel Construction, Keanin Loomis, president and chief executive officer, and from Kal Tire, we have Corey Parks, president.

Welcome to all. We will start with opening remarks and proceed with a round of questions.

Mr. Loomis, you have up to five minutes for your presentation.

Mr. Keanin Loomis (President and Chief Executive Officer, Canadian Institute of Steel Construction): Thank you for inviting me to present my brief on behalf of the Canadian Institute of Steel Construction on this very important topic.

Established in 1930, CISC is Canada's voice for the steel construction industry, promoting the use and benefits of steel in construction and supporting the needs of the membership and industry through technical expertise, knowledge transfer, research and development, industry codes and standards, and certification and advocacy.

We represent the steel manufacturers, fabricators, suppliers, constructors, engineers and architects who are building with steel in Canada. Steel is a strong, adaptable material that is sustainable, cost-effective and resilient, among many other benefits, making it a reliable choice for building Canada's vital infrastructure.

I want to begin by commending the federal government for the measures, which were supported by all parties, announced on August 26. The CISC is supportive of the 25% surtax on imports of steel and aluminum products from China under section 53 of the Customs Tariff, which we, in conjunction with the Canadian Steel Producers Association, advocated for the government to introduce.

Our fabricators are generally supportive of creating a strong domestic steel industry. They recognize China as a bad actor in the fabricated steel industry and, most importantly, recognize that it is in our best interests to protect access to and harmonize with our closest trading partner, the United States. However, it must be acknowledged that Canada does not domestically produce all the raw steel that our members need to build in this country. While CISC encourages domestic production, we recognize that at present our members must have access to outside markets to build the high-rises, hospitals, schools and bridges our country needs.

Since much of the steel we buy is from the United States and our fabricators do a significant amount of cross-border work, the Department of Finance and other relevant departments must work closely with their U.S. counterparts to support harmonization in our ongoing response to China's unfair trade practices.

We also appreciate the government's intentions with the recently announced remedies to support stakeholders facing supply chain shock due to the recently announced tariffs. While these remedies are well intentioned, we caution the government to be selective in applying remedies to ensure that the objectives of the tariffs are fulfilled and that Canadian domestic materials continue to be prioritized. The remedy application process should require that the supplier operates under the same rules as our domestic suppliers do for any remedies to be granted. While we commend measures introduced thus far on raw Chinese steel, there is more work to be done to support the domestic steel industry and Canada's larger economy against unfair trade practices.

The current tariff regime is ambiguous as to the steel that has been melted down and poured in another country or as it pertains to downstream steel products, which is steel that has been fabricated or, for example, incorporated into our household appliances. Omitting downstream products from the list enables loopholes for bad actors to continue to exploit. Fabrication is the real value-add in the steel industry, where our members take raw steel and engineer and craft it for our building purposes, all with safety, quality, sustainability and cost-effectiveness of national infrastructure projects top of mind. This is very engineering-intensive and high-tech, and it requires skilled labour.

Failing to protect Canada from imported fabricated steel products will result in losing this vital skill from our domestic manufacturing knowledge base. We need to protect our Canadian manufacturing industry's ability to build well with steel, to support our infrastructure needs and to quickly and safely respond to environmental crises, such as the Fraser Valley flooding in 2021, in which steel

bridges were rapidly deployed to restore transportation corridors after several bridges were washed out. Our members were among the very first responders in that natural disaster, and as we face many more, we need to continue to have this important domestic capacity.

The push to extend the tariffs to downstream products has gained support in the United States as well, with the bipartisan congressional steel caucus last month calling on the Department of Commerce to expand section 232 protections for certain downstream products, including fabricated structural steel. In the interest of continuing to achieve harmonization with the United States and protect this cross-border industry, we should be expanding section 53 tariffs on the same.

To further support the steel industry and the highly skilled engineers and tradespeople who fabricate and innovate our country's steel infrastructure, the CISC recommends that the government establish fabricated-in-Canada requirements in the construction of all taxpayer-funded and taxpayer-supported manufacturing projects, including those that support the transition to a low-carbon economy, such as EV and battery plants.

Our communities receive a four-time return on investment when we utilize Canadian fabricators to build our infrastructure. The overall economic success of the steel industry, like other sectors of construction, is shaped by the economic boost in opportunities that arise from big projects, particularly government-funded projects. Canadian taxpayer-funded projects should not be awarded to companies purchasing foreign fabricated steel in countries that lack reciprocal procurement policies.

Once again, thank you to the committee for inviting me to appear on behalf of the Canadian Institute of Steel Construction.

I look forward to your questions.

● (1215)

The Chair: Thank you very much.

Mr. Corey Parks, we go over to you for up to five minutes, please.

Mr. Corey Parks (President, Kal Tire): Good afternoon.

My name is Corey Parks. I'm the president of Kal Tire, which is a family-owned Canadian company based in British Columbia. We employ over 4,800 people in Canada and are one of the country's largest independent tire dealers. We're the largest remanufacturer of truck and bus radial tires, which are also called TBR tires.

Canadian industry and consumers are threatened by the dumping and subsidizing of low-quality, single-use Chinese truck and bus tires. I'm here today to ask you to include the retreading industry in the protections being considered for electric vehicles, aluminum and steel. I will share some background on our industry, discuss the economic, affordability and environmental implications of these unfair trade practices, and ask you to consider the urgent need for action to protect Canadian interests.

In 2023, the Canadian tire industry contributed approximately \$7.1 billion to the economy. It represents a vital part of our national transportation and supply industries, directly supporting tens of thousands of Canadian jobs and indirectly supporting many others.

The truck and bus radial tire market and its associated remanufacturing sector annually contribute \$2.3 billion to the economy and are especially important. Remanufacturing of tires, which is often called retreading, adds a new tread to a used tire casing, extending its lifespan. Retreading has been a well-established and integral component of the transportation sector in Canada for over 70 years. Today, roughly 50% of all truck and bus tires on the road are retreaded tires.

Retreaded tires are a popular, sustainable and cost-effective alternative to new tires, which reduces waste and carbon emissions by 70% per tire when compared to new tire production. Further, our experience indicates that one quality tire can be retreaded three or more times and can cover the same distance as 12 low-cost, low-quality, single-use tires.

The retread industry is threatened by waves of low-quality, single-use tires imported from China at prices below the raw material costs of the commodities needed to manufacture them. These tires enter Canada supported by non-market practices, including government subsidies and weaker labour and environmental standards, making it impossible for the domestic industry, tire producers and retread industry to compete. These low-quality, single-use tires are poorly made and do not have the structural integrity to effectively and safely accept retreads. As a result, increased tire waste is being sent to Canadian landfills.

In short, this unfair competition threatens our domestic industries by depressing prices, discouraging local investment, filling our landfills with unnecessary waste and risking elimination of thousands of Canadian jobs.

If unfairly traded imports of truck and bus tires continue, the retread industry will likely disappear and Canada's transportation sector will rely on Chinese imports to maintain operations. Ensuring that the retreading sector can compete on a level playing field will strengthen our supply chain and help Canada keep its economy independent from foreign economic influence.

Our key allies, including the United States, the European Union and the United Kingdom, have already implemented measures to protect their truck and bus tire manufacturing and retreading industries from unfairly priced Chinese imports. In 2019, the U.S. imposed up to 90% duty on truck and bus tires manufactured in China. The duty was renewed just this year. Unfortunately, Canada is now the only major western nation where dumping of these Chi-

nese-manufactured TBR tires still occurs, and it's gaining momentum.

To safeguard the Canadian industry, economy and environment, we urge you to support a 109% surtax on truck and bus tires manufactured in China. This step would promote fair competition, protect thousands of jobs, safeguard our supply chain and support Canada's environmental goals. Countering unfair trade practices is essential to Canada's economic and environmental well-being and the survival of this industry.

I would like to end with three points. First, Chinese tires are being dumped and subsidized in Canada at prices below the raw material costs needed to make those tires. Second, the growing presence of these tires in Canadian markets is threatening the very existence of the remanufacture industry in the short term and the stability of the transportation sector in the medium and long term. Finally, western nations that have implemented duties to stem the dumping and subsidizing of these tires into their countries have returned market stability and fair competition to their domestic tire and transportation industries and have ensured a more level, market-based economy for these products.

Finally, I want to thank you for the invitation to appear before this committee. As a growing independent business in Canada, this is a very intimidating place to find ourselves. However, it's important to me that each of you know how much it means to each of these thousands of Canadians that you are interested in hearing about the very real threat that these dumped tires pose to their jobs, to the tire and transportation industries at large, and to the broader Canadian economy.

I'm happy to answer any questions you may have.

• (1220)

The Chair: Thank you very much.

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

Mr. Ryan Williams (Bay of Quinte, CPC): Thank you very much, Madam Chair.

Mr. Parks, thank you very much for coming in today. It is quite alarming to hear that we have a major industry—another industry—that's again threatened by China, its mercantilism and its unfair practices.

Just tell us again how big this industry is. How many jobs are there, and what's happening right now from China?

Mr. Corey Parks: The industry is quite large. Overall, the tire industry is about \$7.1 billion here in Canada. The TBR business is only about \$2.3 billion of that, but they're related industries. You have to have one to service the other. Businesses like ours have a passenger and light truck business and a commercial business, and the commercial business is a relatively low-margin business compared to the more dynamic consumer business.

When you harm materially the truck and bus side of the business, you harm the entire industry. We think the import of these tires is driving.... We don't think this; we know it's driving our remanufacturing ability down almost to a break-even scenario whereby we're closing plants or we're talking about closing additional plants.

We know the vast majority of the people in this business—we make about 300,000 of 1.2 million tires manufactured annually—are mom-and-pop shops that are selling these tires against tires that are, frankly, far below the raw material cost. We think it's a very real threat—not just to our business, but to the entire industry that represents tire manufacturing.

• (1225)

Mr. Ryan Williams: These tires are coming in and they're cheaper. Is that correct?

Mr. Corey Parks: They are.

Mr. Ryan Williams: Are they as safe as the tires you make currently?

Mr. Corey Parks: Without the data, we can't tell you they're inherently less safe. I can tell you they're made with a smaller belt package. That's what we call it. When we break these tires down to try to retread them, they cannot safely hold a retreaded tire.

These tires are not tires you would stick on the steer axle of a vehicle, because they're lightweight and poorly manufactured. The heavier-duty, premium tires go on the steer axle, so they put these on trailers where they can fail and not cause an accident, but they fail at an alarming rate compared to a high-quality tire. That part we do know.

Mr. Ryan Williams: They probably end up in landfills more often. Is that correct?

Mr. Corey Parks: They do. We have tried repeatedly to retread these tires. They're not safely retreadable, so largely, we view these as disposable tires in our market.

Mr. Ryan Williams: When we look at cheaper tires.... We've been studying Chinese steel and aluminum, and then, of course, we're studying EVs and batteries.

When these tires are dumped into the market, are they taking away Canadian jobs? Are they threatening the jobs in the \$7-billion tire industry?

Mr. Corey Parks: Yes. Absolutely, they are. We saw a dramatic increase in the dumping of these tires in 2023 as we were coming out of the pandemic. During the pandemic, we didn't have a whole lot of shipments coming from China, because the cost of a sea can was in the \$25,000 to \$35,000 range. Now that it's back to a normal price, these tires are being dumped into our markets. We are not able to compete against them.

We don't carry these tires. They're often dropped off to brokers and sold off the backs of trucks. They're sold to both the Canadian industry and the U.S. industry. Transporter shippers will come to Canada, buy these cheap tires they can't buy in the U.S., and head back. We know that because when they show up at our shops to have their tires repaired, they're tires that we don't sell and that are banned in the U.S.

Mr. Ryan Williams: We've talked about a ban in the U.S. Have the U.S. and other nations banned this, put a tariff on it and ensured that there's a measure to counter the tire dumping?

Mr. Corey Parks: Yes, sir. As I mentioned, it depends on where the tires are made. When the U.S. went through the ITC process, it ended up with these tariffs that range from.... I can't remember the low end, but the top end was a 90% tariff based on the dumping and the findings they had regarding the cost of these tires versus the sale price into the U.S.

Mr. Ryan Williams: Have you approached the Canadian government? If so, what has its response been so far?

Mr. Corey Parks: This will mark our third time here in Ottawa, after 70 years of not being here at all, so I would say we've approached a variety of MPs to try to at least make this position known so that we can go on the record and try to.... It's a very emotional issue for our company. We have folks who have really good careers, both in the retreading business and in the tire repair and installation business, and they see this business shrinking in a way that they can't fairly compete. We've tried to share that with the government as best we can to try to make it aware.

At this particular moment in time, we've been trying to get ourselves into this most recent study so that you can see what the U.S. has seen and what the European Union and others have found, which is that these tires are absolutely being dumped into Canada.

Mr. Ryan Williams: You'd like to see the government put a 109% tariff on that.

Again, these are the same questions we asked in the EV and Chinese steel studies. Are the tires that are being made there made with forced labour? Is it uncompetitive? Are they fully subsidized?

Mr. Corey Parks: It's certainly uncompetitive. We don't have any particular knowledge of the forced labour issue. We're aware of a very particular data study that was summarized in a New York Times article on forced labour specifically related to tires out of China. We're aware of that. We don't have any of our own internal knowledge. I'd leave that to others to determine.

However, there's no way these tires can be made at \$141 a piece, which is what they're currently being sold into Canada at. It's impossible to reach that price point with just the base commodity prices that we know everyone in the world is paying. You look at steel, natural rubber, carbon black and oil, and you add up how much it takes to make a tire. You can't make it for \$141.

• (1230)

The Chair: Thank you very much.

Go ahead, Mr. Sheehan, please.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much for your testimony and for your commitment to your industries. They're both remarkable.

I usually don't make predictions, but in eight days, the United States is going to have a new president, regardless. How important was it for us to work so closely with the United States, our number one trading partner, in putting 100% on the EV cars, as well as 25% on steel and aluminum?

I'll start with Mr. Loomis first.

Mr. Keanin Loomis: It is imperative. It is everything for us as a domestic industry. We don't do a lot of fabrication outside of North America, so, besides our own domestic market, the U.S. is our biggest market by far, and we want to maintain access to that market. We get a lot of steel from that market as well brought into Canada on our projects, so we want to ensure that the Americans have confidence that we're harmonized when it comes to trade and that we're not a back door for Chinese steel.

Again, the tariffs certainly caused a price increase for our members. We buy the raw steel on the global market, and, of course, tariffs imposed by our American counterparts did increase the price of steel. Tariffs on Canadian steel also did—not as much, obviously, because it's not as big a market—but we understand that, and we accept that, because we're willing to pay a premium to continue to maintain access to the American market.

Mr. Terry Sheehan: Thank you.

I'm going to drill down a little bit before I turn it over to Mr. Parks. Do you work with steel associations in the United States? What kind of work do you do there?

Mr. Keanin Loomis: Yes, we do. We have good relationships with our counterparts in the U.S., the AISC, the American Institute of Steel Construction. We do a lot of standards development work in both countries. That's primarily been our purpose. That was our whole reason for being, to create the standards for building with steel in this country.

As an organization, we're expanding into advocacy, for sure, and working with our American counterparts. As you can imagine, it's harder to get their attention, and it's harder for them to understand how important the Canadian market is, but we certainly want to push this “fortress North America” type of agenda with our American counterparts, if they'll listen and pay attention to what we have to say here in Canada.

Mr. Terry Sheehan: Mr. Parks, can you answer that question, too, about the integration of the market, I suppose, between the

United States and Canada and your industry? Obviously, you are proposing a bumper-to-bumper approach, if you will, on tariffs.

Mr. Corey Parks: Yes, we are proposing that. We think that the harmonization of the tariffs is pretty critical.

I'm sorry; do you have more to say?

• (1235)

Mr. Terry Sheehan: No, I'm listening intently.

Mr. Corey Parks: Okay. We believe that the harmonization of tariffs is fairly important.

There's very little domestic production of tires here in Canada. There are a couple of Michelin plants in Atlantic Canada that we're familiar with. The majority of their product gets exported back to the United States. Most of our tires here in Canada on the truck and bus side come from the U.S. or from Asian markets.

For 70 years, we've seen a lot of discipline in that market—at least the 70 years we've been around—where pricing goes up and down in terms of where it makes the most sense to make product, but we've never, ever seen something that is sold so far below the raw material costs that we can't even compete. We can't retool our factories. We can't invest. We won't invest in retooling these production lines when we can't even get into the ball game on the raw material costs, so in terms of our work with the U.S., it has been very light here at Kal Tire.

What I can tell you is that the Americans have a tremendous advantage when it comes to putting the tariffs in through the normal World Trade Organization process, and that advantage is the United Steelworkers. The manufacturers of these tires are very unwilling to sit at the table and push for these tariffs when they have manufacturing that is not being subsidized in these markets, in the China market, where they're making other products beyond tires. Michelin and Goodyear make things beyond tires.

In the U.S., the United Steelworkers were the ones who brought the petition and could get into the process. That's an almost impossible task for us in our industry, because it's such a collection of smaller businesses. We see ourselves as a small business. We know we're not small—we're the largest player by a long way in Canada, in this market—and we can't get ourselves in front of that commission without a lot of work to try to find our way there, which is what led us to you here at this hearing.

Mr. Terry Sheehan: Thank you very much.

One question that I continually ask is this. We've heard a lot about labour practices, including forced labour, and environmental practices and the difference in making both steel and tires in China. I know about the steel, but are the tires a dirty process too—as I call it—over in China?

Mr. Corey Parks: If you compare the environmental impact of a new tire versus a retread tire, it's about a 70% difference. When you make a new tire, you have to make the casing, and then you put the tread on it. What we do in the retreading process is buff off the old tread and put new tread on it. It's a much lighter environmental impact.

You add to that the Chinese tire that's being disposed of—because when you try to buff it off, it won't hold a retread, so they're disposable tires. We see that all over the place in our retread plants: These tires come in and customers ask for them to be retreaded, and we say, “We can't. You bought a disposable tire. Off it goes to the landfill.”

On top of all that, I would add that because they're not being sold through the normal commerce chain, where the government collects a recycling fee to pay for that—they're being sold from brokers and off the backs of trucks and docks—when they get disposed of, they're just being dumped. They're not being paid for to have that recycling process take place.

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

We go to Mr. Savard-Tremblay for six minutes, please.

[*Translation*]

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

Thank you to all of the witnesses for their presentations.

On August 26, the Aluminum Association of Canada and the Canadian Steel Producers Association published a joint press release to support the announcement of Canadian tariffs and to state that Canada refuses to be “a point of entry for unfairly traded and high carbon steel and aluminum imports”.

According to these two associations, in Canada, there are 18 active anti-dumping cases against China for primary forms of steel. Furthermore, 56% of all of Canada's trade cases concern China. However, despite the high number of dumping cases, steel from China is booming. In recent years, it has even doubled on the Canadian market.

Mr. Loomis, what isn't working in the trade remedy system?

[*English*]

Mr. Keanin Loomis: I think you heard from the Canadian Steel Producers Association, when they gave testimony not too long ago, that the trade remedy system is broken. That is certainly one of the issues that we are finding. Even if you have a clear trade case to bring, you have to think long and hard before doing so because of the length of time and the amount of money required to enforce your WTO rights.

The big thing here is that, just as my colleague is facing.... It is really easy, of course, to go to the bottom line and to talk about price. What we are trying to sound the alarm on is that there's a huge risk there, too, when it comes to quality. The big issue for us is that.... If these tariffs are in place and then the price issue is equalized, we'll be able to make much higher-quality decisions when it comes to the purchasing of steel.

Again, in referring to my colleague, I have had members of mine say that when they bid on a project—we're not even talking about publicly funded projects, but an oil sands project, for example, in northern Alberta—even if they zero out their labour, they're not able to compete on price. The issue here is that it's far too easy, and the bottom line is controlling our decision-making far too much in this industry.

• (1240)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Next year, the Canada—United States—Mexico Agreement, or CUSMA, will be reviewed. I have a question on that. We also know that the Americans rightly point out that Canada is the gateway for many products that should not be entering North America.

Do you agree with that statement? What more could be done?

[*English*]

Mr. Keanin Loomis: The proof behind us being a back door is circumstantial and doesn't necessarily align with what we're seeing in terms of the declarations that are being made at our ports of entry. While there is concern that we are being used as a back door, this illustrates the importance of harmonization at all levels, from border control to, again, insisting on domestic steel and fabrication being used in large infrastructure projects. We need to assure the Americans so they have confidence that we are not the end run for Chinese steel.

One of the things the government should be doing in the lead-up to CUSMA, and I would say we should be looking at this as well, is how much Mexico is the end run or the back door for Chinese steel. It would behoove us to do a study with our counterparts in the U.S. to identify that particular problem, because the evidence is far greater that Mexico is being used as a dumping ground for Chinese steel into the U.S. market. We should be looking at that and, again, tightening up and making sure we are completely harmonized with our American counterparts so they have complete confidence in us.

The Chair: Thank you very much.

Mr. Desjarlais, you have six minutes.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

Thank you to the witnesses for being present with us.

It's an important study that we're undertaking related to steel, of course, as there are many Canadians who are involved in this. Whether they're employers at a shop level or whether they're executives, this is an issue that's pertinent to industries across the country. Because of the immense issue presented by China and its extreme steel and aluminum dumping here, there are actions that have largely been undertaken. That's why you're here today. The minister came out equalizing some of these tariffs with our American counterparts to ensure that much of the steel industry here is protected.

Mr. Loomis, you mentioned that part of your association's goal is to encourage domestic production of steel, which is, of course, good. We want to see more of that. It would probably solve many of the issues you're explaining today if we had more domestic production. On U.S. partnership and harmonization, I think that's an encouraging path forward, both for Canadians, who have a huge dependency on those markets, and for our contractors, who depend on those stabilizing prices to build.

The supply chain shock issues are also interesting to me. I want to explore with you how the supply chain has been shocked by this. Of course, producers—those who utilize steel—are reeling. Part of my line of questioning is on how those who are either purchasing steel domestically or have a former arrangement with Chinese steel, for example, are impacted. How do we create more resilience for those persons?

More recently, the Minister of Finance mentioned that, in light of all this, on October 15, she may consider some tariff relief for some industries. Do you support the exemption for certain industries?

Mr. Keanin Loomis: Certainly, if China is the only place that makes a certain type of steel that we must utilize here in this country—I can't tell you what that would be—that would be a case in which we should proceed cautiously. For the most part, I doubt that is the case, so I'm not too concerned about that. I haven't heard from any of my members that there's a particular type of steel that we must be concerned about when we deal with China, so at this point in time, I can't point to anything.

There is, obviously, a very large global market for the production of steel—besides China, there are a lot of Asian markets and others—and our members are fairly agnostic as to where the steel comes from. Again, we would love to be able to buy domestic steel, but we don't make I-beams in this country, for example, so we must go overseas, and of course—

• (1245)

Mr. Blake Desjarlais: To that question, then, you would largely support targeted exemptions. There has to be an intersection between what you're saying and the fact that your producers are telling you they're having supply chain shocks. To me, it's likely, or at least I would assume, that the Minister of Finance took issue with the fact that there would be supply chain shocks and perhaps tried to shore up some of these industries in terms of building confidence, suggesting that on the 15th there be targeted exemptions for some producers on steel and aluminum.

To my mind, those two things seem to make sense, what you're saying and what the minister is saying. Do you support those exemptions, then?

Mr. Keanin Loomis: Yes. I can't tell you exactly what types of products we're talking about, but sure.

Mr. Blake Desjarlais: There has to be some room in our trade economy here to look at those industries and provide some relief.

What is the next step, then? What is the next step in reducing that dependency if we're going to have targeted exemptions, which, to your point, will actually not get us in closer alignment with our American counterparts? Is there a point where you would recommend that we say no one gets any more exemptions and there's a

process to build forward? Or is that a process that, to you and the industry, is void and vacant of a future and you'll just go along for the ride until you see where the market lands?

Mr. Keanin Loomis: If there are other markets that produce steel, then all the better and we can certainly target China—before the reasons why we must. It is a non—

Mr. Blake Desjarlais: So producers are exploring.

Mr. Keanin Loomis: Totally.

Mr. Blake Desjarlais: That's good to know.

Second, given the fact that there's been this move by Canada to look at very well-meaning tariffs to protect our industry here, do you anticipate any malicious international retaliatory tariffs?

Mr. Keanin Loomis: I think we have already seen this with other commodities that we produce here in this country. Many of the fabricators have close relationships in the canola industry, for example. I was informed by one of my Alberta members that their brother, who's a farmer, was at the Thanksgiving table, and he has been impacted by retaliatory tariffs. It's a far more nuanced view out west, for example, as it might be out east. I'm six months into this role, and I'm finding all kinds of incredible regional differences among the membership. Yes, folks are feeling it, certainly out west, when it does extend to commodities that are also being produced within their jurisdictions.

The Chair: Thank you very much.

Members, I'll try to get in a round two, if possible. Since we were delayed at the beginning, I have slightly reduced the time so that everybody gets another round, if that's okay.

Mr. Martel, go ahead, please, for four minutes.

[*Translation*]

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

Mr. Parks, what is the impact of Chinese tire dumping on the competitiveness of Kal Tire and the tire industry in Canada?

[*English*]

Mr. Corey Parks: The competitiveness of our industry relies on the ability to make enough money to support our people and the programs that we have around them. When we are faced with these tires and we cannot go into a logging yard or into a trucking facility and compete, we can't get within a couple of hundred dollars of the price at which they are buying these spot Chinese cheap tires. We can't compete at all.

What we do is try to emphasize the service aspect of it, because the product now is a throwaway. We ask what we can do to fix their vehicle or to sometimes install the tires for them or do repairs on other things on their vehicle, as opposed to having the product be part of the sales process.

• (1250)

[*Translation*]

Mr. Richard Martel: For the time being, you are managing to survive even though the current government has not taken firm action on this.

What is the long-term risk to Canadian industry if action is not taken?

Will we be able to continue operating indefinitely in this industry without firm measures being applied?

[*English*]

Mr. Corey Parks: I would argue that we can't survive in the long term without strong measures in this industry, and I would point to a couple of reasons for that.

Your comment that we are surviving is probably accurate. We are barely surviving. We are operating many of these retread plants below cost. We are losing money on every tire we sell, because we're trying to make money on the service piece. That is not sustainable in the long term.

To your other questions, about the long- and medium-term impact to the industry, I think it's very significant. We happen to have 290 stores across Canada coast to coast. We are in many small towns and jurisdictions where you would not normally have a tire business. We are able to do it because we're a small passenger and light truck business, and there's a bustling natural resource industry, whether it be forest products, mining, you name it. In the absence of being able to compete, some of those stores risk closure. When you start to close those stores over the long term, that's a material impact to the industry and, I think, to the transportation industry at large.

I would like to add one last thing, if I might. Every bit of the steel that we're talking about in this conversation is being moved from the plant to its final destination on these exact tires.

[*Translation*]

Mr. Richard Martel: Mr. Parks, what is Kal Tire's strategy to ensure sustainability and ethics in its supply chains, especially in the face of the current threat?

[*English*]

Mr. Corey Parks: We try to emphasize what it is we do best. On the one hand, it's service. We emphasize that piece as part of our strategy. The other is that we are the only manufacturer and retreader in Canada that's taking retreaded tires, using the buffing and putting it to Canada's only tire-derived polymer plant, which recycles that material and puts it back into the supply chain.

We think those are good citizen standards that we apply. Our ethics are around being good, sustainable corporate citizens.

The Chair: Thank you very much.

Mr. Miao, go ahead for four minutes, please.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair.

Thank you to our witnesses for being here today.

Mr. Parks, I'd like to ask if you can share more about the process of retreading those tires, because you mentioned how it's more sustainable compared to any other tires, especially the ones that are being imported from China.

Mr. Corey Parks: I sure can. A company buys a brand new tire. It can be an entry-level, a medium or a premium tire, but it's a tire with a good casing that is built with typical standards. They run that tire until the end of its tread life, and then they send it to us. We bring it in. There's a very complicated process to inspect it to make sure that there's no damage to what is called the casing. Then we put it into a buffer, and this machine buffs off all the old tread. You put some gum rubber around it, and you stick a new tread on it. You seal it, and you bake it for a couple of hours to make it into a new tire. Then it comes back and goes through another inspection process.

You can theoretically do that into perpetuity, but we generally retread three times on average. You can retread it up to five times. Some companies do it an unlimited number of times, but it all depends on the quality of the casing and whether there's been any damage to it during its life.

Mr. Wilson Miao: Is this applied only to commercial vehicles or also to passenger and light truck vehicles?

• (1255)

Mr. Corey Parks: In North America right now, it only applies to commercial tires. When we were all younger people, retreaded tires on passenger vehicles made more sense and were economically viable. Since the late 1990s or early 2000s, very little passenger tire retreading has gone on, because there's not enough material in the product to make it make sense to put the labour on top of it to retread it, whereas a truck tire has an enormous amount of steel, a lot of rubber, a lot of technology, frankly, and the bead that goes in that tire. That's why they cost so much money, because there's a lot that goes into it, and it makes sense to retread.

Mr. Wilson Miao: What would be the difference between electric vehicle tires compared to a regular gas vehicle, in the sense of the commercial side, if we are moving toward that transition?

Mr. Corey Parks: I'm not sure I fully understand the question.

Mr. Wilson Miao: My understanding is that electric vehicles have a different type of tire that they use, due to the grip. A gas vehicle has the tires that we've been using.

Mr. Corey Parks: That's correct. It's not necessarily a different type of tire; it's maybe a heavier construction. The torque on electric vehicles burns the rubber a lot quicker. You can actually peel the tread off the casing with that much torque, so you have to have a very quality tire to put on those vehicles.

We have not seen what the hypothetical new electric truck tire would look like yet. At least, I don't have any knowledge of what that would look like specifically. Generally, electric vehicles require a more quality, heavier-built, technological tire. That's what the Michelins, the Goodyears and the Bridgestones spend a lot of time doing—working on the technology.

Mr. Wilson Miao: Earlier, you mentioned tire dumping. Can you tell us what approach the U.S. is actually taking in regard to this disposable or single-use tire dumping?

Mr. Corey Parks: Unlike Canada, the U.S. does not have a regime for recycling that's anywhere near as robust as it is here in Canada. Here, you pay a good amount on the purchase of a tire to pay for the recycling. The recycling is run by contracts that the government has. In the U.S., it's all done privately. There's very little done on just general recycling.

Because of the tariffs, the U.S. doesn't have disposable tires the same way we do here. I spent a good part of my career in the U.S. working on this very same issue for an almost identical company. We did not have this issue of tires being dumped there after 2019.

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have two minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Loomis, if you don't mind, I'm going to ask you the question I wanted to ask you about the review of CUSMA, which is scheduled to take place next year.

Do you have any recommendations for Ottawa? In what areas should we exert more pressure?

[*English*]

Mr. Keanin Loomis: We were happy, frankly, to get out of the CUSMA negotiation fairly whole. It could have been so much worse. In that regard, I think the government did a really good job and was very deft at negotiating with a difficult negotiator.

We will see, obviously, in a couple of weeks whom we are facing. I think that, generally, we would like to do no harm and maintain our access to the U.S. market. That's the important thing for me. As well, we do need to be looking at the other partner in that tripartite agreement and at whether things have changed. The Canadian government was very much.... There was very little daylight between us and Mexico because of the interesting aspects of negotiating that deal.

I think it is going to be different this time around. I think we definitely should be working with the U.S. to understand the impacts of Chinese investment in Mexico, which has undermined a lot of the CUSMA agreement.

The Chair: Thank you very much.

Mr. Desjarlais, go ahead for two minutes, please.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

To continue on that frame, you've mentioned several times now that Canada is not the bad guy here; it has to be Mexico. This is something that occurs often in various committees, not particularly this committee, where we see that attempt to maybe obfuscate—I

don't want to attribute negative malice—what is our issue here. There are domestic steel production issues, like dumping from foreign enterprise into Canada. We have weaker safeguards than our American counterparts. That's a fact that's true.

You're also mentioning a very important fact, which is that in addition to Canada's vulnerabilities, Mexico is hyper-volatile in the action of disrupting our stability for supply chain security for steel manufacturers here.

Can you explain what you mean when you say “investment in Mexico”? Are you talking about investments into capital projects, or investments into innovation, science and technology, or investments into supply chain resiliency, for example? Where is that investment into Mexico and how is it damaging Canadian steel users, manufacturers and producers?

• (1300)

Mr. Keanin Loomis: My understanding is that there's a lot of Chinese investment into buying Mexican companies and thus using that ability to circumvent some of the rules or be the kind of—

Mr. Blake Desjarlais: Are they a front company? In this committee, we've heard many times about how there are these companies, shell companies almost, in a jurisdiction in order to just process material. Or are you talking about investments in real factory goods like manufacturing and production tools?

The Chair: Give a brief answer, sir.

Mr. Keanin Loomis: I'm probably out of my depth a little bit here. I would like to ask the previous speakers, because they're much better at being China watchers and China analysts, for sure. I should probably not go any further.

The Chair: Thank you very much.

We will go to Mr. Williams for four minutes, please, and then Mr. Arya.

Mr. Ryan Williams: Thank you very much.

Mr. Parks, I must say I'm very alarmed today by your testimony. It seems that we have a significant risk to the nation's tire industry, a big industry with thousands of jobs. It seems that every other G7 nation is on top of this. This seems to be something that's gone below the radar.

I want to talk, just quickly, about competition in your industry. This is obviously having a major effect. In the last nine years, has your industry also found other rising costs that are threatening jobs in Canada? Are there other costs that are not helping you compete, let alone having cheap Chinese tires flood into the market?

Mr. Corey Parks: Nothing comes to mind that is big enough to note. There are rising costs that everybody experiences, sure, but there's nothing.... We buy a finished product. Certainly, the cost of the tread rubber that goes onto a retread has gone up significantly over the last nine years. We attribute that to oil. We attribute that to economics. It's made in the U.S. largely. But we've never seen anything like this before.

Mr. Ryan Williams: In terms of truckers and Canadian companies buying the cheaper product, they know it's not on a storefront. You don't see this out in flashing lights. It seems to be a submarket, and they're buying these cheaper tires. Is that because their costs have gone up and they're trying to save money? Why are they buying these cheaper tires?

Mr. Corey Parks: I think it's like what we all experience. When you're faced with a smart economic decision about a premium tire with a bunch of retreads, you can do the math and say, "This makes sense, but I have to pay more today, versus pay less right now as I'm standing here looking at a flat tire." I think it's almost that simple. That's part of why I said we're retooling our workforce to go out there and try to explain the value proposition of a retreaded tire versus a cheap, disposable tire. We're talking to farmers and loggers and ranchers and folks who are sometimes cash-strapped and need that tire right now, so they're happy to buy a below-cost tire.

Mr. Ryan Williams: Yes, that's what we're hearing from farmers and truckers, who are saying the carbon tax and other costs are making that more difficult, and therefore I'm sure they're looking for cheaper options.

Mr. Loomis, I wanted to switch gears for a second and talk about the need for Canadian steel. How much steel right now is being used in the EV megafactories that this government has announced it's subsidizing? Do we know the amount of Canadian steel? Is it in the contract, or do you know if workers are getting the benefit from these megafactories?

Mr. Keanin Loomis: It is not in the contract. They are not required to use Canadian-fabricated steel or Canadian steel, for that matter. We are hoping that companies like VW, for example.... We understand that a decision is imminent as to where they are going to get their fabricated steel and what companies they're going to be using in the building of that factory. We are very much encouraging them to look at the Canadian fabricators.

One of the issues is that there's a presumption that we don't have the capacity to fabricate. That's not true. In fact, we have a very cohesive industry in that a lot of our members can partner to make sure that we do have that capacity. The presumption for us going forward is that any government-funded project should be using Canadian-fabricated steel because they are taxpayer dollars—taxpayer dollars going into our communities at a four-times return, and that's a conservative estimate. We get a four-times return on investment in using Canadian-fabricated steel, plus there's much lower risk and fewer supply chain disruptions as well.

• (1305)

Mr. Ryan Williams: Yes, that's alarming to me, \$50 billion and no Canadian steel. That's amazing.

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

Mr. Arya, you have four minutes, please.

Mr. Chandra Arya (Nepean, Lib.): Mr. Parks, seeing you, I remember to check my appointment with Kal Tire. I should say that the service has been quite good. I've been using it for years.

I listened carefully to your comments. I understand we all need cheap products because everything is expensive. I also understand

your point that we need to impose tariffs on the stuff that is coming in, which is below the cost of the raw materials, as you said.

At the same time, I don't want to be seen supporting a monopoly or an oligopoly. How many tire retreading companies are there in Canada?

Mr. Corey Parks: I don't know the number off the top of my head. My guess would be probably in the neighbourhood of 75 to 150.

Mr. Chandra Arya: I'm glad to hear that, because when I just checked with my ChatGPT, it said that Bridgestone, Michelin and one or two other companies control 70% of the market, or something like that, but that is not the case. Is that right?

Mr. Corey Parks: What they control is.... There are only a few companies out there that make the tread, but the people who can do the retreading work.... There are a lot of mom-and-pop tire shops, independents that have what's called a "chamber" where they can cook the tire. They retread right there on the spot, and that was very common—

Mr. Chandra Arya: I understand retreading. I was born and grew up in India, where it is a fact of life that most of us use only retreads in everything, whether it's cars or trucks.

I'll come back to you.

Mr. Loomis, your members also include steel manufacturers. Is that right?

Mr. Keanin Loomis: Not all of them are, but yes, some of them.

Mr. Chandra Arya: Okay, I'll come to that. You did mention that there are certain steel products that are not manufactured in Canada. Did you say that we should not impose tariffs on them?

Mr. Keanin Loomis: No. Certainly, when it comes from China, a non-market economy, yes, we should.

Mr. Chandra Arya: As far as products that are not manufactured in Canada are concerned, if they're coming from China, you want the tariff to be imposed. Is that right?

Mr. Keanin Loomis: That's correct.

Mr. Chandra Arya: Did you say that for federal government contracts, we should stipulate that local steel has to be used?

Mr. Keanin Loomis: We should stipulate that the fabrication work is done in Canada by Canadian-certified fabricators.

Mr. Chandra Arya: If the U.S. government were to stipulate that U.S. federal government contracts should use U.S. steel only, what would you think about that?

Mr. Keanin Loomis: That's certainly a concern for us. Again, if we had the trade—

Mr. Chandra Arya: Don't you see that there's a big difference between not wanting the U.S. to impose the condition that local products should be used and wanting us in Canada to impose that? How is that possible when we want free trade, at least among allies?

Mr. Keanin Loomis: All we're asking for is reciprocity. Most of our work will be done in the U.S. That's just the nature of our business.

Mr. Chandra Arya: You know, in the steel industry, the installed capacity has not gone up for the last 20 years because all of the Canadian steel companies are foreign-owned now. They don't want to increase the capacity in Canada. We have the raw material. We have the talent. We have everything, and they don't want to export anywhere other than the U.S. or Mexico, when we are signing free trade agreements all across the world. Why is that? How can we allow our steel industry to be strangled? That's the word I want to use, but I'm using it very carefully. The number of people working in the steel industry has been going down. There's no growth in

installed capacity. This is all because of foreign ownership. What would you say about that?

Mr. Keanin Loomis: Certainly, there's been a lot of innovation in the industry, thus the workforce has been going down.

Mr. Chandra Arya: The fundamental thing is—

The Chair: I'm sorry, Mr. Arya, but your time is up. Maybe Mr. Loomis can add a few things off-line.

To our witnesses, thank you very much for the very valuable information you have provided. We appreciate it.

We will now adjourn the meeting.

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