



By: TA | AP Insight

# What are the consequences of the mutual tariff reductions between Canada and China?



Breaking with the United States, Canada has agreed to cut its 100% tariff on Chinese electric cars in return for lower tariffs on Canadian farm products, Prime Minister Mark Carney said Friday.

Carney made the announcement after two days of meetings with Chinese leaders.

He said there would be an initial annual cap of 49,000 vehicles on Chinese EV exports coming into Canada at a tariff rate of 6.1%, growing to about 70,000 over five years. China will reduce its total tariff on canola seeds, a major Canadian export, from 84% to about 15%, he told reporters.

"Our relationship has progressed in recent months with China. It is more predictable and you see results coming from that," Carney said.

Carney hasn't been able to reach a deal with U.S. President Donald Trump to reduce some tariffs that are punishing some key sectors of the Canadian economy and Trump has previously talked about making Canada the 51st state.

Earlier Friday, Carney and Chinese leader Xi Jinping pledged to improve relations between their two nations after **years of acrimony**.

Xi told Carney in a meeting at the Great Hall of the People that he is willing to continue working to improve ties, noting that talks have been underway on restoring and restarting cooperation since the two held an **initial meeting** in October on the sidelines of a regional economic conference in South Korea.

Carney said that "this agreement will drive considerable Chinese investment in Canada's auto sector, creating good careers in Canada and accelerating our progress towards a net zero (emissions) future and the auto industry of the future."

Nelson Wiseman, professor emeritus of political science at the University of Toronto, called Friday's deal good for both China and Canada.

"Canada is diversifying its bets economically," Wiseman said. "And China is succeeding in driving a small wedge between Canada and the U.S."

## Improve global governance

Carney, the first Canadian prime minister to **visit China in eight years**, told Xi that better relations would help improve a global governance system that he described as "under great strain."

Later, he said at the news conference that the system may give way at least in part to country-to-country or regional agreements rather than the global ones that have underpinned economic growth in the post-World War II era.

"The question is: What gets built in that place? How much of a patchwork is it?" he said.

### **A Canadian business owner in China called Carney's visit game-changing**

The new reality reflects in large part the so-called America-first approach of Trump.

The tariffs he has imposed have hit both the Canadian and Chinese economies.

Carney, who has met with several **leading Chinese companies** in Beijing, said ahead of his trip that his government is focused on building an economy less reliant on the U.S. at what he called "a time of global trade disruption."

A Canadian business owner in China called Carney's visit game-changing, saying it re-establishes dialogue, respect and a framework between the two nations.

"These three things we didn't have," said Jacob Cooke, the CEO of WPIC Marketing + Technologies, which helps exporters navigate the Chinese market. "The parties were not talking for years."

## Canada had been aligned with US on tariffs

Canada had followed the U.S. in putting **tariffs of 100% on EVs** from China and 25% on steel and aluminum under former Prime Minister Justin Trudeau, Carney's predecessor.

China responded by imposing **duties of 100%** on Canadian canola oil and meal and 25% on pork and seafood. It added a 75.8% tariff on canola seeds last August.

Collectively, the import taxes effectively closed the Chinese market to Canadian canola, an industry group has said.

Overall, China's imports from Canada fell 10.4% last year to \$41.7 billion, according to Chinese trade data.



By lowering tariffs on Chinese electric vehicles this lopsided deal risks closing the door on Canadian automakers to the American market, our largest export destination - Doug Ford

Carney tried to address the concerns of Canadian automakers and auto workers by saying the initial cap on Chinese EV imports was about 3% of the 1.8 million vehicles sold in Canada annually and that, in exchange, China is expected to begin investing in the Canadian auto industry within three years.

"We're building (a) new part of our car industry, building cars of the future in

partnership, bringing affordable autos for Canadians at a time when affordability is top of mind, and doing it at a scale that allows for a smooth transition in the sector," he said.

"For the exchange of a small piece of the Canadian market, we have a commitment. We are waiting for an investment commitment in Canada. The real leaders of the new industry. So it's an agreement that will create the future for our industry."

But Ontario Premier Doug Ford, the leader of Canada's most populous province where the country's auto sector is based, blasted the deal.

"Make no mistake: China now has a foothold in the Canadian market and will use it to their full advantage at the expense of Canadian workers," Ford posted on social media.

"Worse, by lowering tariffs on Chinese electric vehicles this lopsided deal risks closing the door on Canadian automakers to the American market, our largest export destination."

## China sees an opening under Trump

China is hoping Trump's pressure tactics on allies such as Canada will drive them to pursue a **foreign policy** that is less aligned with the United States.

The U.S. president has suggested Canada could become America's 51st state.

**Canada's relationship with the U.S. is much more multifaceted, deeper and broader - Mark Carney**

Carney, though, noted Canada's relationship with the U.S. is much more multifaceted, deeper and broader.

Canada and China have different systems and disagree on issues such as human rights, he

said, limiting the scope of their engagement even as they seek ways to cooperate on areas of common interest.

The Canadian leader leaves China on Saturday and visits Qatar on Sunday before attending the annual gathering of the World Economic Forum in Switzerland next week.

He will meet business leaders and investors in Qatar to promote trade and investment, his office said.