



January 30, 2026

**From:** Stephen Beatty  
**To:** Trade War Observers  
**Re:** BACK TO THE FUTURE: CHINA QUOTA EDITION (I)

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Here we go again. It was another week which started off with some progress on the trade front, but that ended in threats from the White House. It's the end of January and Groundhog Day is fast upon us.

During Prime Minister Carney's official China visit, he announced a 49,000-unit electric vehicle quota that would grow to 70,000 vehicles per annum over several years, and China agreed to lower its tariff on canola seeds to 15 percent and suspend its retaliatory tariffs on canola mash, peas, lobsters and crabs until December 31.

This relatively straightforward opening of two-way trade, however, part and parcel of a series of agreements advancing a Canada-China strategic partnership heralded by both sides. It was followed by the Prime Minister's speech Davos speech that called upon middle powers to resist superpower unilateralism. Thus provoked, by week's end, Donald Trump was threatening 100-percent tariffs on Canada if it strikes a "deal" with China.

While the CUSMA does require Canada to notify its partners if it intends to enter into a free trade agreement with a non-market economy, Canada and China are not even close to pursuing a free trade deal.

And Chinese vehicles imported to Canada, the target of much negative commentary from the US administration, remain products of China and are subject to all US trade rules.

It is worth remembering that Canada's surtax on imports of Chinese EVs was imposed on October 1, 2024, in response to US Section 301 tariffs imposed on China by the Biden administration. They were designed to prevent a possible surge of imports following the US tariff action (as well as being an attempt to curry favour in Washington).

Unlike the US, Canada had seen a significant increase in the number of Chinese-assembled electric vehicles sold here. However, the Chinese invasion was led not by BYD or the other Chinese companies driving headlines in Europe and around the world but by Tesla and their Chinese-made Model Y. So, egged on by the White House and the Detroit 3 automakers, Canada had actually sideswiped another US car company with its China tariffs.

This alignment with the United States was "rewarded" with the imposition of s.232 tariffs against imports of Canadian vehicles, which was followed by the tit for tat imposition of a Canadian surtax on US-assembled vehicles. President Trump is fond of saying that the US does not need Canadian vehicles but he overlooks the importance of the Canadian market to US automakers. In the case of Tesla, vehicles that had been made in China, and might have been made in the United States, are now imported to Canada from Germany.

In imposing its 2024 surtax on Chinese hybrid and electric vehicles, Canada stated that "China's unfair trade practices include weak standards across EV supply chains, including poor labour standards, a lack of environmental protections, and trade policies supporting oversupply." The announcement went on to indicate that the surtax would be reviewed in one year and might be extended or modified. Separately, Ottawa noted concerns about cybersecurity and Chinese vehicles and the need to address that potential problem.

If that projected review ever happened, its results have not been released. In fact, there was no prior consultation with Canadian stakeholders before the announcement of the new quota two weeks ago. And none of the companies currently assembling parts or vehicles in Canada appear to have been involved in any discussion about possible joint ventures that were trumpeted in the Beijing announcements, so a measure designed to protect the industry now seems to include an invitation for new competition from China.

It was easy to anticipate what happened next. The association representing the US automakers in Canada along with the sector's main trade union and the association representing the parts industry all combined with Premier Doug Ford of Ontario in a press conference condemning the federal announcement.

But in the absence of details from Ottawa, we are left guessing what will happen next. The federal government's pending automotive industrial strategy, the promise of which seems to have assuaged Mr. Ford, may be exemplified by the agreement to establish a Korean auto manufacturing footprint in Canada, and will no doubt help fill the picture.

But that strategy also offers the opportunity to create a different path, as we will outline in our next Memo.

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