

# Trump 2.0 – Navigating Uncertainty Canada, Trade and Business

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“Building Canada: Long-term planning using Special Economic Zones adapted for Canada’s Automotive Challenges”

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# Trump 2.0 – Navigating Uncertainty Canada, Trade and Business



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# Toronto Metropolitan University Land Acknowledgement

"Toronto is in the 'Dish With One Spoon Territory'. The Dish With One Spoon is a treaty between the Anishinaabe, Mississaugas and Haudenosaunee that bound them to share the territory and protect the land. Subsequent Indigenous Nations and peoples, Europeans and all newcomers have been invited into this treaty in the spirit of peace, friendship and respect."

# Building Canada

- **Main Points**
  - **Long-term challenge** – the current tariff battle represents a long-term challenge for Canada
  - **Build Canada's Tech Sector** – model “special economic zones”
  - **Legal Challenges and Recommendations**
  - **Strategic options for Canada**



# Long-term Challenge for Canada

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- US Tariffs: Most recent are 25% on all automobiles (in addition to other tariffs)
- Devastating effect on Canadian auto industry
- Trump's Motivation and Implications
  - Bringing manufacturing to the US (implies loss of Canadian manufacturing – relocation of manufacturing)
  - Can not wait this out – after 5 years, sunk costs and reconfigured supply chain
  - Urgency for Canada to build and diversify
  - Trump: on and off tariffs – buying the US time because building manufacturing will take time





# Canada's Technology Sector

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- Why Canada's Technology Sector
  - Development of technology is the future (beyond manufacturing)
  - Export costs relatively low
  - Technology can assist Canada in developing re-aligned automotive partnerships
  - Canada is a leader in Artificial Intelligence
    - Canada in top 5 AI pioneers (BCG study – among 73 countries)
    - BUT according to new Stanford University Global AI Vibrancy Rankings: Canada was once #3 in the world and has now fallen to 14<sup>th</sup> place
    - Canadian problem: great at research but needs work at taking AI to market and commercialization

# Canadian Technology Sector

## Canada's potential for Electric Vehicle ("EV") batteries

Canada has the critical  
minerals and mining  
sector

Sector already enjoys  
provincial government  
support and willingness  
to commit resources

Foundational  
manufacturing base



EV manufacturing and research, like AI, can  
assist Canada in the automotive industry.  
However, it is in its nascent stages and  
needs support

# Special Economic Zones

- Special Economic Zone
  - A geographical location in a country which benefits from special rules or policies intended to promote business there. These rules could include:
    - Reduced customs tariffs on certain goods
    - Reduced taxes (including corporate taxes, property taxes)
    - Preferential treatment or exemption from rules
    - Labor and employment
    - Administrative procedures (approvals, permits and licenses)
    - Government support: subsidies, rebates, procurement, building of infrastructure to support manufacturing





# SEZs: South Korean Model

- Two models
  - Manufacturing: Shenzhen (China) – classic success story
  - Innovation: South Korea
    - Pangyo Tech Valley
      - Government support: tax breaks, infrastructure, low-interest loans
      - Access to research facilities, job-training
      - AI to connect to chip and biotechnology
      - Plans for second and third Pangyo Tech Valleys (including public- private knowledge centers, industry – university collaborations)

# SEZs: South Korean Model

- Innovation: South Korea
  - Yangjae: announced in late 2024 (district in Seoul)
    - Designated as an AI Special Zone
    - Regulatory exceptions (patents – speed up), immigration)
    - Collaboration with large corporations like Samsung
    - Cooperation with research institutions and universities
    - Aim to build an AI Seoul Tech City by 2030



## Federal / Provincial laws

Conflict between federal and provincial (and inter-provincial)

Note that South Korea and many other nations are unitary governments (i.e. not a federalist structure)

Agree on and appoint agency

Bureaucracy – speed up approvals: one stop shopping portals



## Employment Law

non-competition agreements under Ontario law (exceptions exist already)

# Challenges in Implementation



## **Contract law / corporate law**

Drafting for public / private partnerships

Legislated special purpose vehicles?  
(create new legal entities just for SEZ purposes)



## **Competition Law**

Need to be vigilant against monopolistic practices or collusions like bid-rigging (especially if government funded project)

Competition Bureau needs funding for monitoring and enforcement



## **Accountability**

Auditor General – special review of SEZs on frequent basis

# Challenges in Implementation



# Big Picture: Canada and Automobiles

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- Canada's EV tariffs against China (100% in October of 2024)
- Reasons?
  - #1 - Align with the US to form a CUSMA car industry
  - #2 - Protect Canadian EV industry
  - #3 - National Security



# Pivoting from US dependency

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## Alignment with the US for CUSMA

- Meaningless if the US will devastate Canadian auto industry with tariffs

## Protecting Canadian workers

- Canada's tariffs were at 100% level against Chinese EVs (to align with US)
- EU method: 20 – 35% range against Chinese EVs based on subsidy calculation
  - A subsidy is when government assists a targeted industry specifically – international trade laws under the World Trade Organization prohibit this and permit a country to impose tariffs to NEUTRALIZE or OFFSET the subsidy
- In this regard, Canada's tariffs appear to have gone beyond what is permitted

# Pivoting from US Dependency

## National Security

- An important concern for Canadians
- EVs may contain software and hardware that can monitor driver behaviour, locations, travel preferences → private information
- Software / Hardware – separable from the rest of the car
- Hard to control if manufactured in China

But what if manufactured in Canada with the software / hardware component developed, manufactured and installed in Canada by Canadian companies in partnership with China, EU or other nations?

# Leveraging Tech Sector, Critical Minerals and Manufacturing Base

- China's retaliation and position towards Canada
  - Imposition of tariffs against Canadian canola and agricultural products
  - Mentions China wants to do trade with Canada
  - Alludes to BYD (Chinese EV manufacturer) facing foreign investment pushback
  - China is implying it wants to build in Canada ("jumping the tariff barrier")



# Strategic Options for Canada

- Consider what to do about Canadian tariffs against China
  - Canada shut out by US: tariffs against China benefits US auto industry with nothing for Canada and Canadian consumer pays for it
- Reduce tariffs to subsidy level like the EU
  - Still protects Canadian industry (level playing field) and complies with WTO
  - Aligns Canada with EU (an important ally and potential increased trading)
  - Retaliatory tariffs at higher level to US autos



# Strategic Options for Canada

- Consider allowing China and EU (and South Korea and Japan) to help Canada build autos under **Canadian conditions that protect Canada**
  - Canadian control of software and hardware (which Canada can develop and license abroad as well)
  - Monitor privacy (applicable to even Canadian companies) and theft of IP
  - Amendment to foreign investment rules to specifically control ownership and control
    - Recent amendments to the law: to protect against US predatory takeovers of Canadian companies hurt by US tariffs (**SEE SPECIAL NOTE at end of slide deck**)
  - In conjunction with Canadian SEZs that can promote Canadian technology sector (maintain control of Canadian IP)
  - Monitor for **over-dependency** on China or EU (super-powers)
- Recent threat: Trump states that if Canada and EU work together to harm the US, both will face higher tariffs
- Special Note: international agreements: WTO paralyzed by the US but countries like Canada, Mexico, China and EU all agreed to arbitrate and still use WTO rules → a coalition forged to deal with US obstructionism



# Special Note

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This note is being inserted after the presentation to clarify one point on slide #18. That slide indicates that Canada amended its laws to address the possibility of predatory US take-overs.

To be clear, it was the government's guidelines regarding the Investment Canada Act that has been revised to address this issue. These sources address this point:

**Berkow, Jameson**, "Ottawa changes foreign investment rules to guard against predatory acquisitions amid tariff battle" (5 March 2025), online: *The Globe and Mail* <https://www.theglobeandmail.com/business/article-ottawa-changes-foreign-investment-rules-to-guard-against-predatory/>.

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