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## Introduction

It's dispute number 623 and the short title is *U.S. – IRA (China)*. The venue is the World Trade Organization (WTO) in Geneva – the seat of global state-to-state disputes over measures affecting trade in goods and services. It is at once the largest *and* the least consequential trade dispute brought before the WTO in its nearly 30-year history.

China alleges that certain tax credits under the *Inflation Reduction Act* (the IRA) – the Biden Administration's signal environmental, industrial and trade policy achievement – violate the discrimination and subsidy disciplines of the WTO Agreement. After engaging in "Consultations" earlier this year, China asked the WTO to establish a "panel" to examine its complaints. On Sept. 23, 2024, the WTO did exactly that. For the next two years, China and the U.S. will be engaging in a formal dispute whose *legal* outcome is probably a given – a win for China – but whose practical outcome will be to further weaken multilateralism, the global rules-based framework for trade, and the WTO as an institution. In the meantime, neither trade nor the environment will be served.

Grim prognosis, this. One that is justified.

How did we get here? And where do we go from here?

## What's a WTO dispute?

First, the basics.

The WTO, established in 1995, is and remains the most ambitious – and the most effective – global framework for trade liberalization in history. The underlying treaty – the WTO Agreement – establishes rights and obligations for Members (now numbering 166) in respect of measures affecting trade in goods and services. These range from *disciplines* on tariffs, technical barriers to trade, market access in services, and intellectual property, to the *right* for Members to protect the environment and the health and welfare of their citizens, and to put in place industrial and agricultural subsidies. The WTO Agreement also set up a "dispute settlement" mechanism (DSM) in 1995 that changed the global landscape of trade law and policy – from power dynamics based on the economic and political weight of participants to a "rules-based" framework argued by lawyers and decided by impartial arbiters, overseen by an appellate instance.

Despite popular – and even, on occasion, expert – assertions, the WTO DSM was and is not an "enforcement" mechanism. Rather, it gave and gives Members a framework for third party "findings" as to whether challenged measures meet the legal requirements of the treaty. Complex and multi-stage, the WTO DSM permits Members, rich and poor, large and small, to bring claims against other Members, to have them adjudicated, and to identify where the Member complained against has acted in violation of its obligations. Once the findings were made, it would be up to the dispute parties to sort themselves out: through implementation (most of the time), compensation (more rarely), and retaliation (in a number of cases). This latter – retaliation – is how the system ended up with Canadian measures against European gherkins to retaliate against European measures against Canadian beef, or U.S. tariffs on Cognac because of German subsidies to Airbus.

Admittedly, not a perfect system, but one that worked for twenty-five years.

Judicial dispute settlement in trade matters was revolutionary in 1995. Perhaps it was inevitable that it would run into problems, especially in the United States. As early as 1998, there were concerns about the direction of the jurisprudence.<sup>1</sup> And as early as 2003, the United States expressed concern about the functioning of the WTO DSM – and, in particular, the Appellate Body.<sup>2</sup> These concerns eventually led to the effective dismantling of the Appellate Body in 2020.<sup>3</sup> This, in turn, meant that where there was a finding at the first instance, an appeal of that finding would bring the dispute to an abrupt halt, with no resolution in sight: there would be no instance to hear it.<sup>4</sup>

In April 2020, to enable a semblance of (temporary) normality, Canada and 18 other Members established the Multi-Party Interim Appeal-Arbitration Arrangement (MPIA),<sup>5</sup> a visionary appellate mechanism based on an innovative invocation of the WTO's rarely used "arbitration" mechanism.

So far so good.

The catch is, unlike the WTO DSM, the MPIA is a voluntary mechanism. And the United States is not a participant. Keep that in mind; it'll be important when we look at the potential impact of the latest case.

## What's the global context?

The period 2017-2022 saw major challenges not just to the *formal* frameworks of multilateralism and trade.

### A new Era of Economic and Political Transition in The United States

Since 2017, U.S. trade policy has been undergoing significant changes on multiple axes.

Barely ten days after the Trump Administration was sworn into office and even before a new United States Trade Representative was named,<sup>6</sup> the United States informed its trading partners in the Transpacific Partnership Agreement (TPP) of its intention to withdraw from the Agreement.<sup>7</sup> The bilateral negotiations for the TPP's companion agreement, the Transatlantic Trade and Investment Partnership (TTIP), which the EU and United States had launched in 2013, had ended without conclusion at the end of 2016; a [Council decision of April 15, 2019](#) states that the negotiating directives for the TTIP are obsolete and no longer relevant.

In 2018, the Trump Administration announced the imposition of extraordinary tariffs on steel imports from a range of countries on national security grounds,<sup>8</sup> even as it launched an aggressive drive to renegotiate the North American Free Trade Agreement with its two closest trading partners.<sup>9</sup> Under pressure from the United States, the Appellate Body of the World Trade Organization (WTO) ceased operating in 2019,<sup>10</sup> thus bringing to what is likely to be a definitive close an important chapter in the multilateral rules-based trading system.

Despite early hopes,<sup>11</sup> the Biden presidency has not resulted in a return to multilateralism or a reversal of the trade disrupting direction of the previous Administration.

This is not, of course, to say that there has been no change. The current Administration has departed from the previous one in at least two significant ways:

- pursuing workers' rights in multilateral fora,<sup>12</sup> and
- an ambitious<sup>13</sup> environmental agenda at home, through the IRA.

The standard line of the U.S. government is that the IRA is "the most significant climate legislation in U.S. history."<sup>14</sup> It comprises "a combination of grants, loans, rebates, incentives, and other investments"<sup>15</sup> including nearly U.S. \$400 billion in new spending through grants, credit subsidies, and tax credits<sup>16</sup> on "climate and energy". Ostensibly aimed at improving the "Clean Energy Economy", the programmes are designed to "boost domestic manufacturing."<sup>17</sup> These include:

*'two dozen tax provisions that will save families money on their energy bills and accelerate the deployment of clean energy, clean vehicles, clean buildings, and clean manufacturing'; and*

*'billions of dollars in grant and loan programs and other investments for clean energy and climate action.'*<sup>18</sup>

It does so with the objective of building 'a low-carbon energy system with American-made technology.'<sup>19</sup> In particular, under the broad heading 'Advancing and Deploying American-Made Clean Energy Tech', the IRA:

*extends the Production Tax Credit<sup>20</sup> (PTC) and Investment Tax Credit (ITC)<sup>21</sup> to support the deployment of wind farms and solar arrays to the end of 2024; after that, the Clean Electricity PTC and Clean Electricity ITC<sup>22</sup> provide for technology-neutral, emissions-based credits. The new criteria 'incentivize investment in disadvantaged communities' and provide for additional credits for a project or facility can earn bonus credits if it meets 'certain domestic content requirements';*

*appropriates U.S. \$27 billion for the Environmental Protection Agency 'to award competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions.' As with the tax credits, there is an emphasis on projects that 'benefit low-income and disadvantaged communities';*

*provides U.S. \$40 billion in 'loan authority to guarantee loans for innovative clean energy projects.' This is further 'supported by U.S. \$3.6 billion in credit subsidy for loan guarantees under section 1703 of the Energy Policy Act for innovative clean energy technologies';<sup>23</sup>*

*provides an additional 'U.S. \$5 billion in credit subsidy to support up to U.S. \$250 billion in new loan authority to guarantee loans' for renewing the energy infrastructure;<sup>24</sup>*

*extends the Advanced Energy Project Credit by up to U.S. \$10 billion;<sup>25</sup>*

*sets out a new Advanced Manufacturing Production Credit;<sup>26</sup>*

*provides for a Clean Vehicle Credit for 'consumers purchasing new qualifying clean vehicles that meet certain standards for North American assembly';<sup>27</sup>*

*appropriates U.S. \$3 billion in 'credit subsidy' to support loans for 'the manufacture of eligible advanced technology vehicles and components';<sup>28</sup>*

*appropriates U.S. \$2 billion for 'cost-shared grants for domestic production of efficient hybrid, plug-in electric hybrid, plug-in electric drive, and hydrogen fuel cell electric vehicles';<sup>29</sup>*

*extends a series of tax credits for biodiesel, alternative fuel, and clean fuel production;<sup>30</sup> and*

*sets out US\$6 billion in financial support for 'advanced industrial technologies' in carbon incentive sectors.<sup>31</sup>*

This is in addition to significant transfers to state and local governments for a variety of pollution reduction objectives – which, of course, could result in additional local subsidies for domestic manufacturers and service providers.<sup>32</sup>

Although the IRA includes significant new taxes or tax increases for traditional carbon fuel sectors,<sup>33</sup> overall it results in an estimated U.S. \$216 billion in corporate tax credits and US\$40 billion in consumer 'incentives' – an indirect form of corporate transfer.<sup>34</sup>

On May 12, 2023, United States Treasury published guidance on the domestic content bonus.<sup>35</sup> Developed in partnership with the Departments of Energy and Transport, the conditional<sup>36</sup> bonus is intended to "boost American manufacturing, including in iron and steel". It has done so.

The impact of the IRA is immense and global.<sup>37</sup> For all that, it must be seen against a broader context.

## China

Ever since its entry into the WTO, China has presented something of a challenge to the world trading order. China's Protocol of Accession<sup>38</sup> represented a major departure from preceding practice.<sup>39</sup> At least with respect to key features of the Chinese economy at the time of accession, the expectation – or, perhaps, the naïve<sup>40</sup> hope – was that China would graduate to a market economy within 15 years.<sup>41</sup>

This did not happen.

The Chinese model has evolved into a system in which the state plays the role of leading economic actor and, arguably, uses markets primarily for political gain.

Whether effected through ownership or subsidies, state involvement in and engagement with the economy has been both massive and highly distorting. The opacity<sup>42</sup> of the model means that the distinction itself (between "subsidised" and "state-owned") may be one without a difference; ownership, control, and intervention are largely covert and lack transparency. Adding to the complexity is the pervasive role of non-state control frameworks and mechanisms to direct or advance state interests. Nothing in the WTO Agreement or the fabric of international trade law and policy can account for the Chinese Communist Party. Three other factors exacerbate the impact of the Chinese state-directed economic model on the world trading system:

1. It is an integrated It is not enough, for example, for Chinese industrial concerns to benefit from subsidies and other support measures.<sup>43</sup> The entire legal framework is structured to disadvantage foreign investors and competitors.<sup>44</sup>
2. It is an outward looking framework. For example, in the high-speed rail sector, 'within months of the release of the Siemens/Alstom decision, [China's state-owned railway entity] announced its intent to enter into the European market through a local acquisition.'<sup>45</sup>
3. Its sheer size. Before COVID, for example, the overcapacity in China's aluminium sector<sup>46</sup> – both highly subsidised and state-owned – was 30 per cent of global trade volumes.<sup>47</sup>

## The EU

The EU is no stranger to subsidies or industrial policy.<sup>48</sup> The unprecedented scale of the IRA<sup>49</sup> and the ongoing challenges of the Chinese market<sup>50</sup> and model,<sup>51</sup> leave little policy margin for the EU and its member States.<sup>52</sup> Among the responsive measures being discussed are:

- a 'Green Deal Industrial Plan';<sup>53</sup>
- loosening of EU state aid rules to permit Member State support 'for investments in renewables, for decarbonising industry and for 'strategic equipment'; and
- in the longer term, a 'European Sovereignty fund'.<sup>54</sup>

This is not to say that the EU has so far done nothing for either green energy or the economy more generally. Indeed, most member States already have incentives in place for electric vehicles.<sup>55</sup> As well, in December 2019, the Commission presented the European Green Deal to make 'Europe the first climate neutral continent in the world'.<sup>56</sup> Under the Green Deal, "One third of the €1.8 trillion investments from the NextGenerationEU Recovery Plan, and the EU's seven-year budget will finance the European Green Deal."<sup>57</sup>

And although the EU's response to the IRA oscillates between apprehensive and critical,<sup>58</sup> it is not at all a given that US subsidies as structured (that is, essentially excluding China from the US market) will have a wholly negative long-term impact on the EU manufacturing base.<sup>59</sup>

## What's the impact on Canada?

### Canada and the U.S.

Budget 2023 identified the IRA as "a major challenge to [Canada's] ability to compete in the industries that will drive Canada's clean economy."<sup>60</sup> At the same time, although it notes the absolute value of U.S. subsidies and their potential competitive impact, the Budget Plan steered well clear of criticizing the United States for the choice of policy instruments that essentially seek to implement shared climate change objectives.

This is understandable.

Having secured critical "Buy North American" concessions for electric vehicles, Canada was not about to undermine its patient advocacy by criticizing the other elements of the IRA.

Left unsaid in the Budget Plan was the fact that Canada does not have the financial resources to compete with the U.S. Treasury. The best it can hope for is continued access to the U.S. market and supply chains, and the latter especially in the auto sector. In this light, the announced Canadian measures were unlikely in themselves to blunt the impact of the IRA in significant measure.

### Canada and the rest of the world

The "Third Option" – an active pursuit of alternative sources of imports and destinations for exports to reduce trade and economic dependence on the United States – has been a mainstay of Canadian foreign and trade policy since at least 1972,<sup>61</sup> and possibly even earlier.<sup>62</sup>

In 1999, with a decade of experience under the Canada-U.S. Free Trade Agreement, Canada started exploring a free trade agreement with the EU; this finally bore fruit in 2016 with the signature of the EU-Canada Comprehensive Economic and Trade Agreement (CETA).<sup>63</sup> Soon after, Canada launched consultations<sup>64</sup> on a potential free trade agreement with China, its third largest trading partner;<sup>65</sup> the project came to nought.

Multilateralism – agreed rules implemented in the context of an organization of which Canada is an active Member, overseen by a dispute settlement mechanism that privileges the law over raw power dynamics – remains, for Canada the most viable path forward. The latest China-U.S. dispute – and Canada's role as a "third party" within it – should be viewed as against these larger concerns.

## What's next?

As we have seen, the *value* of the subsidies at issue in DS623 is immense. And, of course, in purely institutional terms, a dispute between two of the largest Members of the WTO in respect of industrial and environmental policy measures has potentially far-reaching effects; this is why so many Members have joined the dispute as "third parties".

But.

The U.S. does not participate in the MPIA. This means that if China wins, all the U.S. has to do to effectively end the dispute is to appeal it. *Into the void*. Where so many appeals have ended up in the past four years. In that simple sense, China's challenge is inconsequential: lawyers will argue the case; judges will make findings; diplomats will make statements; and nothing will happen.

In terms of how it reflects on the institution itself, the impact may be more challenging. It will highlight the helplessness of the organization in performing the last of its critical functions – it hasn't been making new law for a long time; it can't "enforce" the law that's on the books; what's the point?

And if the U.S. loses and does not appeal? The IRA is not likely to be reversed. All we will end up with is retaliation rights for China amounting – potentially – to tens of billions of dollars against U.S. exports. And more cases. And more tariffs.

And this is assuming the dispute settlement mechanism functions as envisaged.

Grim prognosis, this. One that is justified.

When it comes to the U.S. and the WTO, we must accept the reality that we are in a post-DSM framework. Not just the U.S., but all Members that do not participate in the MPIA. We must also accept that in respect of certain types of disputes – for example, the IRA – the outcome is likely suboptimal *even if the WTO DSM as established in 1995 were functioning properly*.

*The time has come, the Walrus said, to talk of many things ...*

... including new and innovative ways of resolving interstate trade disputes.

## Footnotes

<sup>1</sup> Rambod Behboodi, "Legal reasoning and the international law of trade : the first steps of the Appellate Body of the WTO", (1998) 32:4 JWT at 55-99.

<sup>2</sup> Textual Contribution by Chile and the United States, "[Negotiations on Improvement and Clarifications of the Dispute Settlement Understanding](#)"

<sup>3</sup> WTO, "[Appellate Body](#)" [*Appellate Body*]

<sup>4</sup> See for example European Parliament, "[International trade dispute settlement: World Trade Organisation Appellate Body crisis and the multi-party interim appeal arbitration arrangement](#)" (17 June 2024).

<sup>5</sup> WTO, "[Statement on a Mechanism for Developing, Documenting and Sharing Practices and Procedures in the Conduct of WTO Disputes](#)".

<sup>6</sup> U.S. Senate, "[Roll Call Vote 115<sup>th</sup> Congress – 1<sup>st</sup> Session](#)".

<sup>7</sup> Office of the United States Trade Representative, "[Letter to the TPP Depository](#)".

<sup>8</sup> US Department of Commerce, "[Section 232 National Security Investigation of Steel Imports: Information on the Exclusion Process](#)".

<sup>9</sup> Reuters, "[Timeline : The long bumpy road from NAFTA to USMCA](#)" (1 July 2020).

<sup>10</sup> *Appellate Body*, *supra* note 3

<sup>11</sup> <https://twitter.com/GenevaTradeLaw/status/1324985472297394178>

<sup>12</sup> Office of the United States Trade Representative, "[Statement from Ambassador Katherine Tai on the Groundbreaking Fisheries Outcome](#)" (17 June 2022).

<sup>13</sup> See for example the White House information page on the Inflation Reduction Act, 2022:

On August 16, 2022, President Biden signed the Inflation Reduction Act into law, marking the most significant action Congress has taken on clean energy and climate change in the nation's history. With the stroke of his pen, the President redefined American leadership in confronting the existential threat of the climate crisis and set forth a new era of American innovation and ingenuity to lower consumer costs and drive the global clean energy economy forward.

The White House, "[Inflation Reduction Act Guidebook](#)" [*IRA Guidebook*]; According to McKinsey, the IRA 'contains US\$500 billion in new spending and tax breaks that aim to boost clean energy, reduce healthcare costs, and increase tax revenues.' McKinsey & Company, "[The Inflation Reduction Act: Here's what's in it](#)" (24 Oct 2022). [*McKinsey*].

<sup>14</sup> US Environmental Protection Agency, "[Summary of Inflation Reduction Act provisions related to renewable energy](#)".

<sup>15</sup> *IRA Guidebook*, *supra* note 13 at 2.

<sup>16</sup> Of note, the IRA extends many tax incentives: "to entities that generally do not benefit from income tax credits, such as state, local, and Tribal governments and other tax-exempt entities. Specifically, these entities can elect to receive some of the Inflation Reduction Act's tax credits in the form of direct payments."

*ibid*, at 11.

<sup>17</sup> *Ibid*, at 26.

<sup>18</sup> *Ibid*.

<sup>19</sup> *Ibid*, at 3 (emphasis supplied).

<sup>20</sup> *Ibid* at 13: 'Eligible Recipients: Facilities generating electricity from wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, and marine and hydrokinetic renewable energy. ... Credit is increased by 10% if the project meets certain domestic content requirements for steel, iron, and manufactured products.'

<sup>21</sup> *Ibid* at 14: 'Eligible Recipients: Fuel cell, solar, geothermal, small wind, energy storage, biogas, micro-grid controllers, and combined heat and power properties. ... Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products.'

<sup>22</sup> *Ibid*, at 18-21. There is a similar credit increase for domestic content as PTC and ITC.

<sup>23</sup> *Ibid*, at 9-11 (emphasis supplied).

<sup>24</sup> *Ibid*, at 26.

<sup>25</sup> *Ibid*, at 28.

<sup>26</sup> *Ibid*, at 30.

<sup>27</sup> *Ibid*, at 49.

<sup>28</sup> *Ibid*, at 54. See also [Inflation Reduction Act of 2022 | Department of Energy](#): 'Expanded uses include medium- and heavy-duty vehicles, locomotives, maritime vessels including offshore wind vessels, aviation, and hyperloop.'

<sup>29</sup> *Ibid*, at 55.

<sup>30</sup> *Ibid*, at 56-66.

<sup>31</sup> *Ibid*, at 67.

<sup>32</sup> See for example, *ibid*, at 86 and 87.

<sup>33</sup> American Petroleum Institute, "[API Statement on House Passage of the Inflation Reduction Act](#)" (13 Aug 2022).; The estimated additional revenue is US\$237 billion. Also see *McKinsey*, *supra* note 13.

<sup>34</sup> *McKinsey*, *supra* note 13..

<sup>35</sup> US Department of the Treasury, "[Treasury Department Releases Guidance to Boost American Clean Energy Manufacturing](#)" (12 May 2023).

<sup>36</sup> *Ibid*..

Projects are eligible for the full value of the bonus only if they meet the domestic content requirement and one of the following requirements: 1) the project has a maximum net output of less than 1 megawatt of energy; 2) construction of the project began before January 29, 2023; or 3) the project satisfies the Inflation Reduction Act's prevailing wage and apprenticeship requirements.

<sup>37</sup> John Fitzgerald Weaver, "[2 GW Meyer Burger solar cell factory in Colorado, hints of more coming](#)" (24 July 2023):

The Swiss-German solar machine and module manufacturer has announced it will redirect solar cell manufacturing machines planned for Germany to Colorado in order to get the factory up by the end of 2024, which would make all of their Arizona solar modules qualify for the IRA's "domestic content".

First of course, is that solar cells made in the factory are expected to qualify for the advanced manufacturing tax credit 45X, which is part of the [Inflation Reduction Act](#) (IRA). Meyer Burger says that from the end of 2024 through 2032, the company's current manufacturing capacity at its solar cell and module factories would manufacture a cumulative sum of hardware that would be eligible for up to \$1.4 billion in tax credits. [emphases supplied]

<sup>38</sup> WTO, "[Accession of the People's Republic of China](#)" (10 Nov 2001). [*Accession Protocol*]

<sup>39</sup> As the European Parliament noted:

China's Accession Protocol is unique in terms of its form, as it deviates from WTO practice by incorporating the legally binding provisions of its Working Party Report (WPR), and in terms of substance, since it contains vast commitments in respect of WTO market accession and WTO rules obligations.

European Parliament Briefing, "[China's WTO accession: 15 years on](#)" (Dec 2016), at 2.

<sup>40</sup> Jörn-Carsten Gottwald, Joachim Schild and Dirk Schmidt, „Das Ende der Naivität gegenüber China? Die Reform des europäischen Investitionskontrollregimes“, (2019) 42:2 *Integration* 134-148.

<sup>41</sup> *Accession Protocol*, *supra* note 38 at 9. Article 15(d) states:

Once China has established, under the national law of the importing WTO Member, that it is a market economy, the provisions of subparagraph (a) shall be terminated provided that the importing Member's national law contains market economy criteria as of the date of accession. In any event, the provisions of subparagraph (a)(ii) shall expire 15 years after the date of accession. ...

<sup>42</sup> Covington & Burling LLP, "[Measures and Practices Restraining Foreign Investment in China](#)" (10 Aug 2014), at 62.

<sup>43</sup> China is the largest emitter of greenhouse gases in the world. And yet:

Initially, China's Emissions Trading Scheme [(ETS)] covered eight sectors: power, petrochemicals, chemicals, building materials, iron and steel, non-ferrous metals (including aluminium and copper). The largest source of emissions from this sector relates to smelting, an electricity intensive process that is primarily sourced by fossil fuel power. Firms from those sectors that consume more than 10,000 tons of coal per year were to be subject to the ETS. However, in its latest announcement, China indicated that only the power sector would be included in its ETS. Although firms from the other sectors exceed the threshold for coal consumption, China ultimately excluded those sectors from its ETS.

Rambod Behboodi and Christopher Hyner, "Countervailing Climate Change: Emissions Trading and the SCM Agreement" (2019) 50 GJIL 599 at 604.

<sup>44</sup> Office of the United States Trade Representative, "[Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974](#)" (22 March 2018) at 19. "...the Chinese government uses foreign ownership restrictions, such as formal and informal [joint venture] requirements, and other foreign investment restrictions to require or pressure technology transfer from U.S. companies to Chinese entities."

<sup>45</sup> Rambod Behboodi, "[Competition Law and Trade Policy: 'Never the twin shall meet?'](#)" (2021) 84 ALJ 127 at 161.

<sup>46</sup> Reuters, "[China's aluminium juggernaut may be running out of road](#)" (30 Oct 2020).

<sup>47</sup> Statista, "[Import and export volume of unwrought aluminium and aluminium alloy worldwide from 2005 to 2021](#)".

<sup>48</sup> See for example the WTO case [EU – Large Civil Aircraft](#), WT/DS316.

<sup>49</sup> *Ibid.*, at 156. To put the figures in some perspective, the 'adverse effects' found to exist in the biggest subsidy case in the history of the WTO were in the order of US\$7.5 billion annually.

<sup>50</sup> See Eurostat, "[China-EU – international trade in goods statistics](#)" (Feb 2024). China was the third largest export destination for European goods (9%) in 2022. In every sector, Chinese exports are increasing since 2020. At nearly €25 billion, motor vehicles are the largest single class of exported goods

<sup>51</sup> Jennifer Rankin, "[Leaked EU plan reveals response to US and Chinese green subsidies](#)" (31 January 2023).

<sup>52</sup> Jon Henley and Jennifer Rankin, "[Can EU anger at Biden's 'protectionist' green deal translate into effective action?](#)" (18 January 2023).

<sup>53</sup> The 'Industrial Plan' builds on existing measures and is based on four pillars:

- a predictable and simplified regulatory environment
- speeding up access to finance
- enhancing skills
- open trade for resilient supply chains

See European Commission Press Release, "[The Green Deal Industrial Plan](#)" (1 February 2023).

<sup>54</sup> Reuters, "[Explainer: Why the U.S. Inflation Reduction Act has rattled Europe](#)" (1 February 2023).

<sup>55</sup> ACEA, "[Electric vehicles: tax benefits & purchase incentives in the European Union](#)" (21 September 2022).

<sup>56</sup> European Commission, "[Delivering the European Green Deal](#)".

<sup>57</sup> European Commission, "[The European Green Deal](#)".

<sup>58</sup> European Parliament, "[EU's Response to the US Inflation Reduction Act \(IRA\)](#)" (2 June 2023).

<sup>59</sup> Peter Jurkovic, "[What is the Inflation Reduction Act?](#)" (7 March 2023):

[G]reen technology is not a zero-sum game; therefore, increased production and investment in [electric vehicles] and other green industries in the US should not imply less production in Europe. [...]

[T]he IRA may help European electric vehicle firms to gain a competitive advantage over their American counterparts. It is thought that the obligation for companies to dramatically rework their supply chains away from China in order to qualify for tax credits may instead draw some firms to the EU, as this would allow a slower and less dramatic decoupling from China.

<sup>60</sup> Department of Finance, [Budget 2023](#) at 71.

<sup>61</sup> Mitchell Sharp, [Canada-U.S. Relations: Options for the Future](#), (International Perspectives, 1972).

<sup>62</sup> As far back as 1957: see ["U.K. Attitude Toward Mr. Diefenbaker's Proposals for \(a\) A Switch in Canada's Imports, and \(b\) A Future Full-Scale Commonwealth Trade and Economic Conference"](#) (9 Sept 1957).

<sup>63</sup> [Canada Europe Roundtable for Business](#)

<sup>64</sup> Government of Canada, ["Why is Canada holding consultations on a possible Canada-China FTA?"](#)

<sup>65</sup> Government of Canada, ["Canada's State of Trade 2020"](#).

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