

Update on Autos & Trade

Ontario Auto Mayors

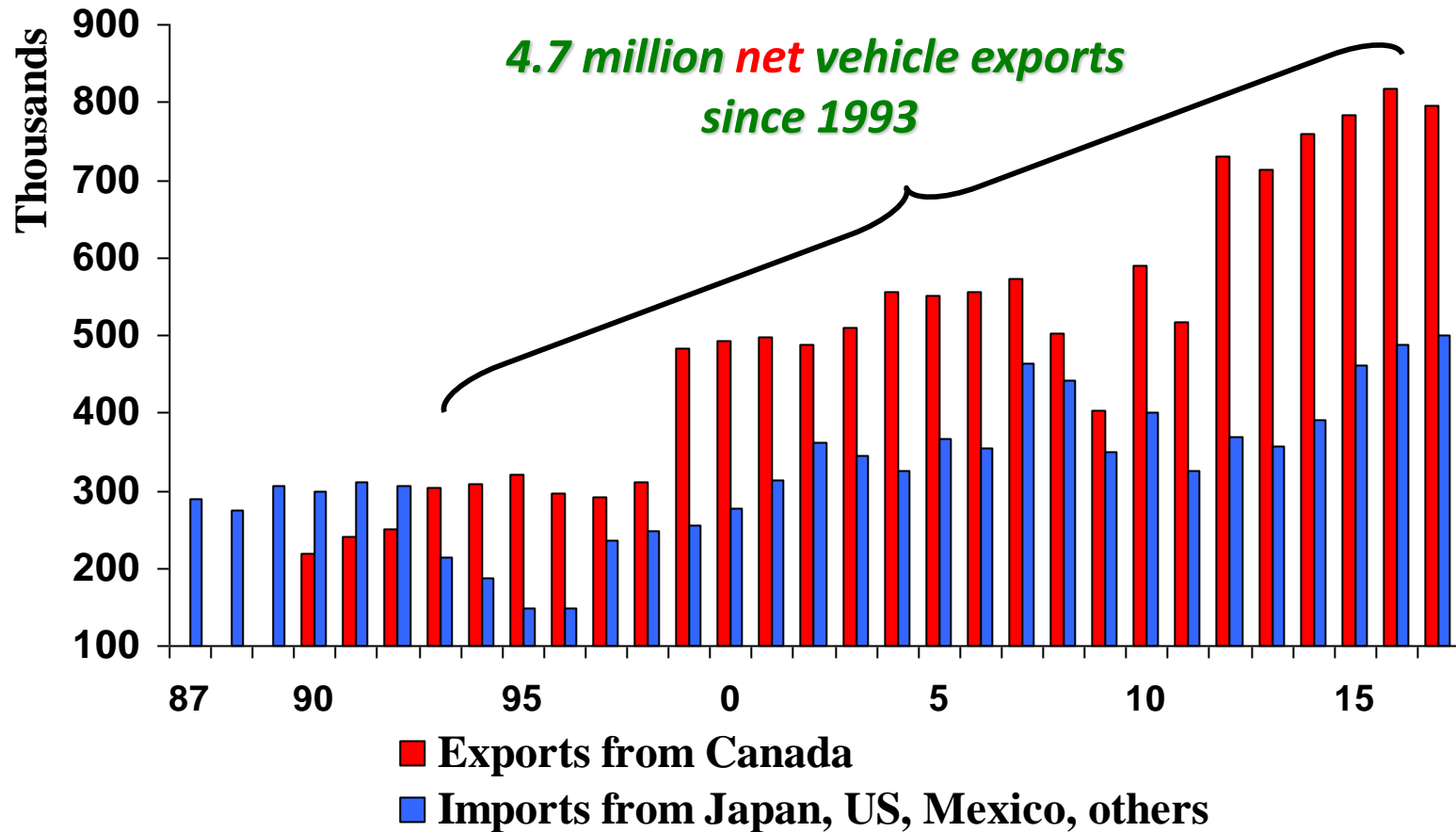
February 23, 2018



The Japanese Auto Industry in Canada

- **16.5 million** Japanese brand vehicles sold in Canada since 1965
 - **18.4 million** Japanese brand vehicles built in Canada since 1986 – over a million units built in 2017 for the 2nd year in a row.
 - **\$12 Billion +** cumulative investment in vehicle manufacturing since 1986
 - Currently **60** Japanese–affiliated OE & auto parts-related plants are operating in Canada
 - Employment: **80,000** direct & indirect jobs created in Canada: including sales, service, distribution, manufacture, export & import of vehicles & parts – all of which supports over 200,000 jobs in Canada through spin-off employment (Study by Mordue/Sweeney, 2017)
 - Canada has been a ‘net exporter’ of Japanese brand vehicles every year since 1993
 - In 2017, most Japanese brand vehicles sold in Canada were locally built in North America
 - **28.3%** built in Canada
 - **35.6%** built in the US
 - **8.4%** built in Mexico
 - **3.1%** built in Europe
 - **24.6%** built in Japan
- } 72.3% built in NAFTA

Canada is a Net Exporter of Japanese Brand Vehicles



Benefits for Canada in the CPTPP

- **Market Access and Trade Diversification:**

- CPTPP will offer guaranteed preferential access to key markets in Asia including Japan, Australia, Malaysia, Vietnam, New Zealand etc. – along with other potential CPTPP countries that may join, such as Taiwan and South Korea.
- In the unlikely event that NAFTA is eliminated, Canadian OEMs will need to leverage alternative free trade agreements in order to maintain existing footprints in Canada.

- **Supporting Canadian Exports:**

- The CPTPP is a timely and important step to further diversify and enhance trade opportunities, while giving Canadian exporters a significant first-mover advantage to markets in Asia-Pacific.
- For the Canadian auto industry, CPTPP will provide guaranteed, preferential market access to Japan (and other CPTPP members) as a result of improvements over the original TPP – the door is open.

- **Advanced Technologies:**

- As many popular Japanese brand vehicles are now built in NAFTA, only 24.6% our sales in Canada are currently imported from Japan.
- However, these primarily new, advanced technology imports are critical to meeting the varied transportation needs of Canadians, particularly with stricter carbon emission regulations in Canada, including new ZEV policies & mandates.

Why JAMA Canada Supports the CPTPP

- **CPTPP is simply a matter of fairness:**
 - The proposed tariff changes in the CPTPP would put Japanese automakers in Canada on an even footing with competing brands from the US, Mexico, South Korea and Europe for the benefit of Canadian consumers, as well as our suppliers and dealers across Canada.
- **Canada needs a favourable investment climate to attract and retain foreign investment:**
 - Ratifying the CPTPP will send a positive message to Japanese investors by restoring a level playing field on vehicle tariffs for the benefit of Canadian consumers.
 - It is important to note that Canada has FTAs with the EU and South Korea; however, they do not invest in Canadian manufacturing – whereas Japanese companies have invested more than \$12B.
- **Diversifying beyond NAFTA:**
 - Canada needs to modernize NAFTA, as well as diversify trade – including CETA, CKFTA and CPTPP
 - Not signing the CPTPP would jeopardize continued Japanese auto investment in Canada

Addressing Arguments Against CPTPP

- **The Regional Value Content (RVC) is too low:**
 - All OEMs in Canada are focused on the North American Market – decisions are driven by NAFTA. Accordingly, like CETA, Canada negotiated lower auto ROO for Australia & Malaysia in CPTPP.
 - Unlike CETA, Japan will recognize US content in Canadian-built vehicles, as well as US safety standards.
- **OEMs and/or Japanese suppliers will move back to Japan, or source from China:**
 - OEMs and suppliers will not offshore because manufacturing decisions are driven by NAFTA, as well as logistics costs and just-in-time delivery requirements.
 - Import tariffs on auto parts for production in Canada have been zero since 1996. During that period, we have seen continuous investment and growth by both Japanese automakers and Japanese auto parts makers in Canada – primarily in Ontario.
- **There are substantial non-tariff barriers in Japan:**
 - What are they? How do they differ from the EU or the USA?
 - How have German OEMs managed to expand into Japan?
- **Canadian OEMs will not likely export cars into CPTPP markets:**
 - OEMs in Canada are all here for NAFTA. Exporting to Japan (or any country) would require product tailored for consumers in that market.

Addressing Arguments Against CPTPP (continued)

- **Will the CPTPP cost Canada 20K+ auto manufacturing jobs?**
 - A study claiming mass job losses in the TPP was dismantled in 2016 (ref: *Maclean's*, Jan 25, 2016)
 - Moreover, the CPTPP is not a re-negotiation of NAFTA

No, the TPP won't cost Canada 20,000 auto manufacturing jobs

The claim that the TPP will lead to massive job losses in the auto sector is built on dubious assumptions, and overlooks the deal's benefits to consumers

Mike Moffatt

January 25, 2016



REUTERS/Fred Thornhill

The **latest meme** to circulate in Canadian economic policy circles is that the Trans-Pacific Partnership **could cost 20,000 automotive manufacturing jobs in Canada**. Unlike the **oil bailout meme**, the TPP automotive meme has an obviously identifiable source: my good friend Jim Stanford, the now-ex chief economist of Unifor. The

Impact of CPTPP

- **Further diversification** of Canada's preferential trade opportunities, along with CETA & CKFTA
- **Exports:** offers better access to Japan and other key CPTPP markets than existing trade agreements
 - *the CPTPP opens the door & provides first-mover advantage over the US*
- **Imports:** no impact on Canadian auto manufacturing footprint as 80% – 90% exported to the US under NAFTA
 - Canada retains tariff advantage over imports from Japan into the US market

Thank you

For more information:

www.jama.ca

