

On Modernizing the North American Free Trade Agreement (NAFTA):

JAMA Canada supports liberalized trade, such as NAFTA, for delivering mutual benefits to trade partners that enhance competitiveness for both automakers and parts suppliers, encourage adoption of advanced technologies to provide safe and sustainable mobility for consumers that meet their transportation needs, and to provide reliable, long term employment for skilled and highly qualified Canadians.

The auto industry in Canada was built on a foundation of open trade, and continues to be highly trade-dependent and deeply integrated in North America.

In the context of the NAFTA region, Japanese automakers have made significant, long term commitments to localization under the principle of 'build where we sell'.

- Japanese automakers have established a high-quality manufacturing and R&D presence in North America based on the NAFTA framework.
- The NAFTA framework has made North America a highly integrated and globally competitive region for automotive manufacturing and trade.
- JAMA Canada hopes for a framework that will continue to support and strengthen the competitiveness of the North American auto industry.

Recommendations for updating NAFTA:

- JAMA Canada strongly supports the continuation of the NAFTA as a trilateral trade agreement, recognizing that 3 out of every 4 Japanese brand sales in Canada are vehicles built in Canada, the US and Mexico.
- Moreover, the success of NAFTA for the auto industry stems from a single set of rules established through uniform regulations, which has allowed automakers to develop highly integrated supply chains and production facilities across the region allowing increasing levels of trade in both vehicles and parts to the benefit of all NAFTA countries.
- The current NAFTA automotive rules of origin (ROO) should be retained. NAFTA provided critical improvements over the Canada-US FTA, particularly with respect to automotive rules of origin. Although the Regional Value Content (RVC) threshold was increased significantly from 50% in the FTA to 62.5% in NAFTA, the NAFTA rules were clearer, more flexible and more predictable.
- Key elements of the NAFTA ROO include: RVC net-cost method, tracing, averaging, accumulation, uniform regulations, phase-in for new plants/models, advanced rulings, etc.
- To be effective, rules of origin in modern trade agreements should be clear, simple, predictable, flexible and easily administered. It is also important to recognize that NAFTA automotive rules of origin have the highest regional content thresholds, and do not include any country-specific sourcing.

- Specific improvements to modernize NAFTA in the 21st century:
 - update and expand the list of job categories for temporary entry of business persons,
 - update customs and trade facilitation provisions recognizing the integrated nature of global supply chains in North America and around the world
 - update border infrastructure with mechanisms to address bottlenecks
 - create additional framework agreements within NAFTA – for example, for automated vehicles, data flows, cybersecurity and other measures that facilitate e-commerce.
 - Increase regulatory co-operation with flexibility to align with or mutual recognition of major international standards (e.g. UN-ECE and US FMVSS)
 - Adopt a generalized provision (referenced in CETA in the event of TTIP agreement) for cross-cumulation with other FTA partners in common.
- Finally, as a general rule, we strongly recommend not including any provisions in trade agreements that signatories don't want to use or to have used against them (e.g. country-specific RVC provisions in preferential rules of origin).