

Why Canada Needs to Sign the Comprehensive & Progressive TPP (CPTPP)

Over the past 50 years, trade liberalization has brought significant benefits to Canadians and the auto industry in Canada, since Japanese automakers first set up in 1965. With a highly trade-dependent auto sector and a small domestic market, open and trade efficient borders were and remain critical to ensuring a vibrant and sustainable Canadian auto industry in an era of global competition and cooperation.

Canada has now completed trade agreements with South Korea (CKFTA) and Europe (CETA). Vehicle imports from Korea are now duty-free, and EU imports will follow now that CETA is provisionally in force. Moreover, time is of the essence, as other CPTPP countries are now getting ready to move ahead.

If the CPTPP proceeds without Canada, the 6.1% vehicle tariff will soon be applied only to imports from Japan, leaving our members and their dealers at a distinct disadvantage in the Canadian market. This will send a strong message to Japan, as well as our members, that Canada is prepared to treat some automakers more favourably than others – a serious issue of equity and balance in Canada's automotive trade policy that will have implications across all our operations.

As most Japanese-brand sales are now built in NAFTA, only 25% of sales in Canada are imports from Japan. But these represent about half of the more than 100 models sold to consumers, including next generation advanced technology vehicles, that are critical to be able to competitively and sustainably meet the varied transportation needs of Canadians. The solution is clear, but the timing is critical.

Ratifying the CPTPP will not only further diversify and enhance trade opportunities, but will also provide an important first-mover advantage for Canadian exporters, and send a positive message to investors by restoring a level playing field on vehicle tariffs for the benefit of Canadian consumers. Open competition will bring greater choice along with innovations in vehicle safety, lower emissions, higher fuel efficiency, alternative power trains (like electric, fuel cell, hybrid and plug-in hybrid vehicles) as well as the promise of enhanced mobility and reduced congestion through connected and autonomous vehicle technologies.

Contributing Facts:

- ❖ For the second year in a row, over a million Japanese brand vehicles were built in Canada in 2017. Over 1,009,200 passenger vehicles were manufactured in Ontario, representing an estimated 46% of total light vehicle output in Canada.
- ❖ In 2017, JAMA Canada members as a group sold 719,806 light duty vehicles – overall, record sales for the fourth year in a row. Market share rose to 35.3% in 2017.
- ❖ For every Japanese-brand vehicle sold in Canada, our members built 1.4 vehicles in Canada in 2017.
- ❖ In 2017, Canada exported over 4 times as many vehicles as were imported from Japan.
- ❖ Since 1993, Canada has exported 4.7 million more Japanese brand vehicles than were imported from Japan, US, Mexico and other countries combined.
- ❖ There are 1,238 Japanese brand dealerships in cities and towns across Canada employing about 44,500 Canadians in sales, service & repair.
- ❖ While direct and indirect employment in the Japanese auto industry in Canada stands at about 80,000 in 2017, a recent study found that the Japanese-brand auto industry supports over 200,000 jobs across Canada due to the impact of direct, intermediate and spin-off employment.