Unifor head urges Canada, U.S. to impose tariffs on cars from Mexico

By Greg Keenan
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Canada and the United States must impose tariffs on vehicles imported from Mexico in order to force auto makers to build new assembly plants in those two countries instead of Mexico, Unifor president Jerry Dias says.

Increased investment in the auto industry in Mexico caused by the North American free-trade agreement has led to the permanent shutdown of four assembly plants in Canada and 10 in the United States in the past decade while eight plants have opened in Mexico, he said Tuesday.

"We really have to isolate Mexico from future investment," said Mr. Dias, whose union represents workers at Canadian plants operated by Fiat Chrysler Automobiles NV, Ford Motor Co. and General Motors Co. "We're going to have to start slapping heavy tariffs on Mexican-built vehicles that are imported into Canada and the United States."

Mr. Dias met last week with U.S. Commerce Secretary Wilbur Ross, who agreed, he said, that Mexico is the problem when it comes to auto investment and jobs bypassing the U.S. and Canada.

Mr. Dias said Mr. Ross did not support his call for tariffs, "but what he does agree on is that unfair amount of auto production has gone to Mexico and that has to change."

Almost all of the world's major auto makers assemble cars and trucks in Mexico and ship them duty-free to Canada and the United States, as well as to other global markets. Among the Mexican-made vehicles sold in Canada are the Dodge Journey crossover, some versions of GM and Chrysler full-sized pickup trucks, and the Volkswagen Beetle.

Tariffs would likely lead to price increases on vehicles sold in Canada and the United States.

Mr. Dias made his comments as Unifor released its list of recommendations on what Canada's goals should be in talks on the renegotiation of NAFTA. Those talks are set to begin next month. The deadline for submissions to the federal government by organizations and individuals was Tuesday.

Unifor urged the federal government to insist that the softwood lumber dispute with the United States be settled before NAFTA talks begin, and to signal that it will retaliate against the United States if Boeing Co. continues its trade action against Bombardier Inc. over the sales of C Series airplanes.

The union also called for changes in rules of origin for vehicles that would require 70 per cent of the content in a duty-free North American vehicle to be produced in the three NAFTA countries, up from the current level of 62.5 per cent.

But Magna International Inc., which is Canada's largest auto parts producer and has more than 20,000 employees in each of the NAFTA countries, cautioned that changing rules of origin in the auto sector could have unintended consequences.

Changes to one element of the rules of origin could have a cascading effect on other rules and lead to disruptions in production and the loss of preferential access to the North American market, Magna chief executive officer Don Walker wrote in the auto parts company's submission to the federal government.

"NAFTA contains the highest regional value content requirement for both vehicles and parts of any existing free-trade agreement not only in

Canada but also Mexico and the U.S.," Mr. Walker wrote. "It has accomplished the objective of promoting regional content in North American vehicles and has enabled NAFTA-wide integration of the industry."

Canada's Auto Parts Manufacturers' Association said it will urge Canadian negotiators to make sure NAFTA remains intact.

NAFTA has been crucial to the development of North American supply chains and has led to continued growth and employment in vehicle production and among parts suppliers, the group said.

The Canadian Steel Producers Association agreed that the trade deal has been successful, but said it needs to be modified.

One key recommendation the group makes is about the use of North American steel in vehicles.

Because steel is not subject to tracing that determines where it originates, "NAFTA currently provides no assurance of or incentive for North American producers of steel-intensive traced materials using North American steel in their production," the association wrote.

Steel makers agreed with one of the objectives set out by the Trump administration for NAFTA earlier this week – that a new deal should include provisions to penalize currency manipulation.