

Ministry of Economic Development,
Job Creation and Trade

Ministère du Développement économique,
de la Création d'emplois et du Commerce



Office of the Minister

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Ontario Auto Mayors
1225 Trafalgar Road
350 City Hall Square West
Oakville, Ontario
L6H 0H3

RECEIVED

SEP 14 2018

MAYOR'S OFFICE

Dear Mayors:

In a recent conversation with Windsor Mayor Drew Dilkins, I discussed the importance of the auto sector and what the provincial government is doing to defend Ontario's interests and protect businesses and workers. I wanted to also express my support to the Ontario Auto Mayors and to reiterate Ontario's position when it comes to the auto industry in Ontario and the U.S. section 232 investigation into auto imports.

Ontario's automotive sector has demonstrated strength, with stable production and exports from Ontario growing strongly. Let me assure you that having a vibrant auto sector in Ontario, and the thousands of good-paying jobs that the industry provides, is of utmost importance to this government.

That is why both Ontario and Canada provided submissions to the U.S. Department of Commerce on the section 232 auto/auto parts investigation. In addition, Canada's Deputy Ambassador to the U.S. and I presented at the investigation's hearing in Washington, D.C. on July 19, 2018.

I have included Ontario's submission, along with some other materials that further demonstrate Ontario's position.

I look forward to continuing to work together to support our industries, develop a stable and competitive business environment, and build a stronger economy for the future.

Please accept my best wishes.

Sincerely,

A handwritten signature in black ink that reads "Jim Wilson". The signature is written in a cursive, flowing style.

Jim Wilson
Minister

Enclosures

Statement by Minister Wilson on Defending Ontario's Businesses and Workers

July 19, 2018 2:45 P.M.

TORONTO — Today, Minister of Economic Development, Job Creation and Trade, the Honourable Jim Wilson, issued the following statement:

"Today, I presented Ontario's position on the national security investigation of imports of automobiles and automotive parts at the U.S. Department of Commerce's public hearing. I travelled to Washington to stand up for Ontario's auto industry, businesses, and workers.

I reiterated what we know to be true — that Canada and the United States have a great trading relationship. Our trading relationship significantly contributes to the success of both of our economies, and our deeply integrated auto sector has long been a vital part of that growth. We must all preserve and build on this foundation, and avoid any action that might disrupt it.

I made it clear at today's hearing that we must keep the automotive industry and its workers — on both sides of the border — top of mind in our decisions. Workers are the backbone of our integrated auto sector. The imposition of trade measures, such as tariffs, would disrupt the sector, lead to significant negative economic impacts, and threaten job losses for the industry in both Ontario and the United States.

While in Washington, I also took the opportunity to meet with U.S. government officials and key auto sector representatives to reinforce that Ontario is Open for Business. The jobs created through trade — jobs that support families and businesses — rely on our open border. I am committed to working with the Government of Canada, Ontario businesses and Ontario's U.S. partners, to advance our shared priorities of protecting and creating jobs and supporting a business environment that spurs innovation and growth.

I will continue to vigorously defend and advance Ontario's economic interests at home and abroad."

**Speaking Points for Jim Wilson,
Minister of Economic Development, Job Creation and Trade**

**Automotive Section 232 Investigation – Public Hearing
Department of Commerce, Washington, D.C.
Date: July 19, 2018**

Due in Minister's Office: July 16, 2018

<input type="checkbox"/> Keynote <input checked="" type="checkbox"/> General <input type="checkbox"/> Greetings	Total Allotted time: 5 minutes
About this event: <ul style="list-style-type: none"> ▪ Minister Wilson will provide remarks in support of Ontario's submission on the U.S.' section 232 national security investigation of automotive imports at the U.S. Department of Commerce's public hearing. 	
Acknowledgements: Kirsten Hillman, Deputy Ambassador of Canada to the United States (confirmed)	
Audience: Who's In the Room? Secretary Wilbur Ross or designate (TBC) and representatives from U.S. Department of Commerce Presenters include: foreign governments, auto and auto parts companies, American and foreign associations	Media expected? <ul style="list-style-type: none"> ▪ Hearing may be live streamed and archived on the U.S. Department of Commerce's YouTube channel (TBC) ▪ Some media is expected to be in the room (TBC)
Main Message: <ul style="list-style-type: none"> ▪ The Deputy Ambassador is expected to focus on the national security alliances between Canada and the U.S., while Minister Wilson's remarks focus on the deep integration of the supply chain, and impacts to the economy, jobs and consumers. ▪ The U.S. and Ontario share a unique and important economic relationship that is grounded in fair and balanced trade, shared values, integrated supply chains, and complementary markets. ▪ This long-standing relationship has strengthened the competitiveness of both of our economies and contributed to the overall economic welfare of businesses and workers on both sides of the border. 	

- Thank you, Deputy Ambassador Hillman, for sharing Canada's position. Ontario stands shoulder to shoulder with you, and our federal government.
- I'm Jim Wilson, the Minister of Economic Development, Job Creation and Trade in the government of Ontario, Canada.
- On behalf of the province of Ontario, I would like thank you for the opportunity to be here today to reiterate what we all know: that Canada and the United States have the greatest trade relationship in the world – one that has led to economic growth, productivity, and a fully integrated auto sector that is more profitable, innovative and robust.
- Ontario is a proud trading partner to the U.S. In fact, Ontario is the number-one or number-two export destination for 28 U.S. States.
- Ontario is the economic engine of Canada and the hub of Canada's automotive industry. In fact, the vast majority of Canada's auto manufacturing occurs in Ontario, which borders the Great Lakes region. This region, which includes Michigan, Ohio, Indiana, and Illinois, functions as an integrated automotive production network.
- Ontario's auto sector is deeply integrated with U.S. production in these states. Canadian firms have invested \$1.7 billion in the U.S. between 2012 and 2018, creating and sustaining thousands of U.S. jobs across many States.
 - Magna employs 27,125 people in the U.S. and since 2011, they have created more than 8,400 jobs across 11 States.
 - Martinrea employs 5000 people in Indiana, Kentucky, Michigan, Mississippi, Missouri and Tennessee – that's twice as many as they employ in Canada.
- The integration of our auto sector is of enormous benefit to both our countries' businesses, workers, and economies. This integration is evident across our supply chains. Autos provide a clear example of how connected our

economies are – the parts on an average vehicle cross the NAFTA borders approximately seven times before being installed on the production line.

- American auto manufacturers have spent decades, and invested billions of dollars, to fine tune these processes so that our supply chain reduces costs to businesses, increases productivity and keeps vehicles affordable for Canadians and Americans alike.
- Any outcome from this current section 232 investigation that would result in tariffs, quotas, or other barriers to trade in the automotive sector would lead to significant negative economic impacts and job losses, not just in Canada but on both sides of our border. It would make vehicles more expensive for American consumers, leading to decreased sales, hurting businesses, workers, and the American economy as a whole.
- This would seriously erode what North American auto industry leaders have built over the past decades.
- Imposing any barriers on auto imports moving between Canada and the U.S. would cause disruption to our integrated auto supply chain and make vehicles more expensive for American consumers, leading to decreased sales, hurting businesses, workers, and the American economy as a whole.
- For example, it could hurt states like Alabama, that exports US\$604 million in engines and US\$65 million in brake parts to Ontario.
- Experts have calculated that a 25 per cent tariff on auto imports coming into the U.S., including auto parts, would shrink U.S. production by 1.5 per cent.
- This could result in 195,000 job losses in the U.S. within the first three years.
- If other countries respond to the U.S.'s actions by imposing their own tariffs, this would only make the impact greater: U.S. production could fall by 4 per cent and 624,000 jobs could be lost in the U.S.

- And these consequences would be felt in Canada as well.
- Workers are the backbone of our integrated auto sector. Together, workers and industry leaders have built something great that has been — and can continue to be —an engine that drives our economies forward.
- If auto tariffs are imposed, everybody loses.
- The Canadian automotive industry has supported U.S. national security interests for decades by ensuring reliable auto parts and supplies. Ontario in particular has been integral in supporting these interests during times of peace and conflict.
- For instance, during World War II, the General Motors auto plant in Oshawa, Ontario and the Ford auto plant in Windsor, Ontario built over 800,000 military transport trucks for allies, including the United States - vehicles that were essential to allied operations during the conflict.
- These contributions from Ontario helped bolster U.S. national security, safety and the freedom of U.S. citizens. Any barriers to automotive imports from Ontario and Canada would hinder us from helping in the same way in the future.
- As such, it is essential, for businesses, workers and families in both our countries, that Canada receive a full and permanent exemption from any measures being considered in this investigation. Ontario's automotive industry, and its workers, along with their counterparts in the United States, are relying on you to keep them front of mind in your decisions on this matter.
- We are stronger and more prosperous together. Our trade relationship has enabled both Canada and the United States to see great economic gains.
- I am confident that we can continue to work together— now and in the future — for the benefit of all of our citizens.

Premier Doug Ford Reinforces Michigan Trade Ties*Reminds Governor Snyder that Ontario is Their Top Customer*

July 18, 2018 9:30 A.M.

TORONTO - Premier Doug Ford spoke on the phone yesterday with Rick Snyder, Governor of Michigan. The call was an opportunity for the Premier to connect directly with Governor Snyder, and build on the mutually beneficial trade relationship between the two jurisdictions.

"Ontario and Michigan share a very valuable trade partnership," said Ford. "We're their number one customer. We trade more than US\$64 billion in goods every year, and our automotive and agri-food sectors support thousands of jobs on both sides of the border. Governor Snyder and I spoke openly about the importance of continued trade. We agree that our economic ties are crucial for creating the good local jobs people depend on."

Ontario and Michigan's auto sectors are closely linked through integrated supply chains, and the trade relationship is critical to economies on both sides of the border. Together, Ontario and Michigan account for approximately 25 per cent of North America's vehicle production. In fact, a car or truck may cross the border up to seven times before it is completed.

The call focused on strengthening trade between both jurisdictions and removing barriers that hinder economic growth and job creation. Premier Ford and Governor Snyder agreed to work closely together to make certain that Ontario and Michigan continue to deliver strong economic output and drive job creation throughout the Great Lakes-St. Lawrence region.

COMMENTS BY:

ONTARIO MINISTRY OF ECONOMIC DEVELOPMENT, JOB CREATION AND TRADE

TO:

**THE OFFICE OF TECHNOLOGY EVALUATION, BUREAU OF INDUSTRY AND
SECURITY, U.S. DEPARTMENT OF COMMERCE**

IN RESPONSE TO:

**NOTICE OF REQUEST FOR PUBLIC COMMENTS ON SECTION 232 NATIONAL
SECURITY INVESTIGATION OF IMPORTS OF AUTOMOBILES AND AUTOMOTIVE
PARTS**

Submitted: June 29, 2018

Ministry of Economic Development,
Job Creation and Trade

Ministère du Développement
économique, de la Création d'emplois
et du Commerce



June 29, 2018

VIA EMAIL

Sahra Park-Su
U.S. Department of Commerce
1401 Constitution Avenue, NW, Room 1093
Washington, D.C., 20230

Brad Botwin
Director, Industry Studies
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW, Room 1093
Washington, D.C., 20230

Dear Ms. Park-Su:

The Provincial Government of Ontario in Canada welcomes the opportunity to file this submission in response to the U.S. Department of Commerce's request for public comments on the section 232 investigation on the effect of imports of automobiles and automotive parts on U.S. national security. The Honourable Doug Ford, Premier of Ontario, formally requests Jim Wilson, Minister of Economic Development, Job Creation and Trade, to present our submission at a hearing since this industry is so important to both of our jurisdictions.

Summary

Canada's automotive sector is primarily located in the Province of Ontario, and has a strong and deeply-integrated trading relationship with the United States. Together, the U.S. and Canada form one of the most competitive and successful regional economic platforms in the world.

In the U.S., approximately 637,000 jobs are supported through trade in the automotive sector. Ontario-U.S. integrated supply chains, together with investment from Ontario firms, lower costs and strengthen the competitiveness of the North American automotive sector.

It is hard to see how the inclusion of the integrated U.S.-Canada automotive sector in any action taken pursuant to the section 232 investigation would enhance U.S. national security or strengthen the U.S. automotive sector. The likelihood is that it would instead negatively impact efficient supply chains, thereby reducing American competitiveness in the automotive sector and beyond. To mitigate this impact, in the event any new measures are applied pursuant to the ongoing section 232 investigation, it is essential that Canada receive a full and permanent exemption from such measures.

Introduction

The U.S. and Ontario share a unique economic relationship grounded in fair and balanced trade, shared values, integrated supply chains, and complementary markets. These strengthen the competitiveness of our economies and contribute to the overall economic welfare of businesses and workers on both sides of the border.

Integration

Over 50 years have passed since the Canada-United States Automotive Products Agreement was signed in 1965. The ensuing transfer of control of Canadian auto manufacturing operations to their U.S. parent corporations has increased U.S. control and decision-making power over key aspects of this sector such as vehicle and component specification, design and sourcing, research and development, branding and marketing, and corporate policy. This decision-making and governance system remains in effect in what has effectively become an integrated industry.

Today, Canada's automotive industry is concentrated in Ontario and closely integrated with production in Michigan, Ohio, Indiana, and Illinois. The Great Lakes region, including Ontario, functions as an integrated automotive production network. This integration permits specialization, efficiencies and productivity gains.

Automotive manufacturers and suppliers have invested billions of dollars building up highly specialized and interconnected supply chains. Firms have spent decades developing finely honed logistics and inventory management processes that, if disrupted by new trade measures, would take years to adjust, significantly increasing costs and making U.S. vehicles less affordable. This in turn would lead to reduced sales and

investment, disrupting workers, customers and shareholders on both sides of the border.

Currently, many automotive parts cross the Canada-U.S. border several times before being installed in a finished vehicle. Adding input and intermediate costs and complexity to these transactions would inevitably raise overall costs and reduce the competitiveness of the highly integrated U.S. and Ontario automotive sectors. Any decrease in the competitiveness of the U.S.-Canadian automotive sector would be especially problematic given the fact that U.S. auto producers are increasingly looking to export to new markets as U.S.-Canadian demand flattens.

Today, almost half the parts of the average motor vehicle manufactured in Canada and shipped to the U.S. are made in America. Any attempt to unwind this integration would have negative consequences for several states, particularly as U.S. assembly plants are already at or near capacity.

Ontario firms are also a significant source of foreign direct investment in the U.S. Between 2012 and 2018, Ontario automotive parts manufacturers invested over U.S.\$1.7 billion in U.S. operations, creating over 6,600 new direct jobs in North Carolina, South Carolina, Indiana, Tennessee, Kentucky and Alabama. For example, Magna International, an automotive industry supplier headquartered in Aurora, Ontario, currently has 58 manufacturing assembly plants in the U.S. and more than 27,000 U.S. employees.

As the past 50 years have demonstrated, Ontario's integrated supply chains with our U.S. partners have increased America's domestic production capacity.

Production, employment and research in the U.S. automotive sector have been increasing. U.S. employment in the sector has increased about 6 percent on a year-over-year basis during the last decade. In 2016, the auto sector invested CAD\$8 billion in U.S. plants and CAD\$20 billion in research and development. While the U.S. has seen continued growth in production over the last decade, Ontario's share of automotive production has been decreasing. Of the 2 million additional vehicles produced in North America in 2017 versus 2007, none of the growth in production occurred in Ontario.

Impacts on U.S. Industry and Jobs

The potential impacts from a section 232 action on the U.S. auto industry and job loss would be significant. A recent report by the Peterson Institute for International Economics found that a blanket 25 percent tariff on automobile imports to the U.S., including auto parts, would reduce U.S. production by 1.5 percent and could cause job

losses of 195,000 in the U.S. over the first three years. If other auto manufacturing countries were to respond in kind, the Institute estimated that U.S. production would fall by 4 percent and 624,000 jobs would be lost in the U.S.

Relevant criteria for a section 232 investigation includes "... the impact of foreign competition on the economic welfare of any domestic industry essential to our national security..." The U.S. and Canadian automotive sectors are highly integrated and Canada's industry provides significant economic benefits to the U.S. automotive industry. There are major synergies between the U.S. and Canadian industries, and the imposition of trade restrictions on Canadian automobiles and automotive parts would negatively impact the economic welfare of the U.S. domestic industry.

In order to continue to benefit from this long-standing and mutually beneficial economic relationship, Ontario maintains that it is essential that Canada receive a full and permanent exemption from any potential measures implemented as a result of the section 232 national security investigation of imports of automobiles and automotive parts.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Shirley Phillips". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Shirley Phillips
Deputy Minister

Ministry of Economic Development, Job Creation and Trade