Put the brakes on auto industry hypocrisy

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Earlier this month, a coalition of auto executives called for a halt to free-trade negotiations with South Korea and the European Union. The members of the Canadian Automotive Partnership Council worry about new automotive investments that are flooding into low-cost Mexico, a free-trade partner of Canada under NAFTA, and undermining their ability to compete.

Last month, The Globe and Mail reported that auto-parts maker Magna International is adding to its presence in Mexico by spending $100-million (U.S.) to build a new plant to produce stamped and welded assemblies for several auto makers.

The article says Magna is receiving support from the Mexican government, and already has 29 manufacturing plants and 15,900 employees in Mexico. It adds that Mexico is close to the U.S. auto market, making for efficient shipments by rail, while production costs, including labour, are lower than in Canada or the United States.

Yet, Magna was among those at the Feb. 18 meeting with Industry Minister Tony Clement supporting a report that highlights the threat from a “flood of investments into low-cost Mexico.”

When the auto executives are complaining that proposed free-trade agreements with South Korea and the EU will make them uncompetitive, they’re trying to suck and blow at the same time.

It gets worse. It’s more than additional government assistance and a halt to free-trade talks that’s being called for. The auto executives have essentially asked that Canadian industry, agriculture and services forgo the gains of free trade at a time of economic recovery so they can be protected from competition – in the case of the EU, an even higher cost region than Canada.

Free trade between Canada and the EU alone will bring projected gains of more than $12-billion for the Canadian economy. It will lead to more jobs across the country, as the agreement will increase Canada's share of value in commercial flows, not just as measured by official trade statistics at the border but also behind it in the form of investment.

If the auto executives were to get their way, it would mean, for example, that the Atlantic provinces, which would be able to increase exports to Europe as a result of free trade (they can ship to Europe just as easily as the U.S. due to the low cost of sea travel), would be told: "Not this time."

To the professional service providers proliferating in the country's urban centres that would gain preferential access to the EU market of more than 500 million wealthy consumers: "Sorry, but this ain't gonna happen."

To the grain and pork farmers, cattle ranchers and processed foods industries across Canada: "Maybe later."

To our manufacturers, small business owners and exporters that form the bulk of the economy: "Better luck next time."

To our forestry, mining and energy communities: "Tough luck."

And for the gains that have been made interprovincially, by bringing together the provinces and territories for the first time with the federal government to negotiate the deal, we can say: "We'll give it a shot another time."

Someone should tell the auto industry it's not the only game in town.

It shouldn't behave as though its issues trump those of everyone else.

Economic assistance to industry is, at times, a necessity. But government must be vigilant to distinguish assistance that is being pursued in self-interest versus the national interest and proceed accordingly. Killing free-trade deals selectively, based on the purported impact on a single industry, can't be part of this conclusion.

It's one thing if the auto executives have specific issues they want addressed in free-trade negotiations. Asking for a halt to negotiations is another. According to the auto executives, "Canada requires a more sophisticated and less idealistic view of free trade." It's they who lack a sophisticated understanding of free trade.

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