

Remarks to the Standing Committee on International Trade
Canada's Engagement in a Rules-Based International Trade and
Investment System



Canadian Vehicle Manufacturers' Association (CVMA)

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Madame Chair, Honourable Members, thank you for the invitation to appear today as part of the committee's study of Canada's engagement in a rules-based international trade and investment system.

The Canadian Vehicle Manufacturers' Association (CVMA) is the industry association representing Canada's leading manufacturers of light and heavy-duty motor vehicles. The CVMA's membership includes Ford Motor Company of Canada, General Motors of Canada Company, and Stellantis (FCA Canada).

As a trading nation the rules-based international trade and investment system is foundational to the success of the Canadian economy. Two-way trade in goods and services accounted for 67% of Canadian GDP in 2023.

In the automotive industry, approximately 90% of Canadian production is exported. Rules-based trade policies and regulatory harmonization created an integrated North American market whereby Canada manufactures and sells into a market accounting for annual sales of nearly 20 million vehicles. It is this integration that enabled Ford, General Motors, and Stellantis to make historic, job-creating investments in Canada totalling nearly \$15 billion.

The CVMA has consistently advocated for Canada to pursue a rules-based trade and investment system that adheres to the following key principles:

- There be no differentiated outcomes between Canada and the U.S. with respect to automotive trade.
- That trade rules support the deep integration of the North American integrated automotive industry.
- Rules of origin that fully consider and align with our strong dependence and ongoing reliance on sourcing within North America.
- Currency disciplines to ensure that market access provisions in trade agreements are not undermined by currency manipulation.
- The removal of all non-tariff barriers such as unique regulations or taxes.

China does not adhere to many of the rules-based trade and investment principles that have been fundamental to the success of the auto industry and the Canadian economy. The CVMA strongly supports the *China Surtax Order* that placed a 100% tariff on Chinese EV imports and has asked the federal government to maintain it. The economic and national security concerns that prompted the federal government to implement the surtax remain the same. There is too much at stake for the automotive industry and broader Canadian economy if the surtax were to be removed.

The playing field must be level and rules-based if Canada's auto industry is to compete with China's EV industry. In markets around the world where action was not taken quickly, Chinese EVs have rapidly gained market share and undermined the domestic automotive industry. For example, one of every three new cars sold in Mexico this year will be built in China up from just 4% in 2020.

China has achieved an EV price advantage through a state-directed industrial policy that provided subsidies totalling an estimated USD \$230.9 billion between 2009 and 2023. Combined with weak labour and environmental standards and Chinese manufacturers can produce and sell EVs at price points far below a North American OEM.

As documented extensively by Unifor, nonexistent labour rights in China have suppressed wages and artificially lower the cost of production. According to analysis by Reuters, the estimated hourly wage paid at 30 Chinese auto companies is between 14 yuan (USD \$1.93) to 31 yuan (USD \$4.27). In comparison, CVMA members are unionised with production assemblers paid an average hourly wage of CAD \$44.52 per hour in addition to generous pension and benefits.

In addition to ensuring a level playing field, we recommend the federal government eliminate the EV sales mandate (EVAS). The mandate prioritizes arbitrary EV sales targets over the development of the North American EV supply chain. This policy has opened Canada to subsidised and/or dumped ZEVs from China and other non-market economies. The misguided ZEV sales mandate needs to be scrapped in advance of the 2026 CUSMA review.

Thank you for your time and I would be pleased to take any questions.