

## Red Tape in New Nafta Could Drive Automakers Away, Magna Warns

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Canada's Baird Says Nafta Sunset Clause Would Be 'Disastrous'

The head of North America's biggest auto parts supplier says automakers will move more production offshore if changes to Nafta make it too complicated, echoing a similar warning from Canada's foreign minister.

[Magna International Inc.](#) Chief Executive Officer Don Walker, speaking Thursday at his company's annual meeting north of Toronto, said any revised North American Free Trade Agreement has to encourage long-term investment and that the sector favors a "do no harm" approach.

"The end objective is Nafta has to be competitive because we're in a global industry, and every country in the world is trying to attract automotive," he said.

Walker spoke as Nafta negotiations continue in Washington in a push to reach a deal this month, in time to pass it through the current U.S. Congress. Ministerial negotiations have focused on auto rules, with countries looking set to raise the share of a car that must be built domestically to be traded under Nafta, while also potentially expanding the amount of parts whose origin must be tracked.

"I just hope they don't put so much administrative burden on us that it costs a fortune to track it all," the Magna CEO said.

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The U.S. wants almost half of every car be built by workers making at least \$16 an hour, a demand that Mexico opposes given its labor costs are lowest among Nafta nations. Canada is open to the idea, but the issue remains in flux as talks continue.

“If we drove the labor for everything in Mexico up, even doubled it, then that means you’re not competitive anymore in a lot of the products and it all goes back to China,” Walker said. “Trying to just say you have to raise wages above and beyond what supply and demand is dictating is going to be damaging.”

Foreign Minister Chrystia Freeland, who is Canada’s lead minister on the file, also warned against adding too much regulation under a new Nafta. If that happens, she said automakers could just not bother and instead pay tariffs, which are relatively low.

“Making a mistake could mean burdening companies with far too much red tape, something that’s too cumbersome, that makes North America less competitive compared to the rest of the world. That’s certainly an issue that I’m very focused on,” Freeland told reporters Wednesday in Washington, in comments aired by the Canadian Broadcasting Corp.

“I want the rules that we come up with to be rules that don’t force our car companies and our car parts companies to be spending too much time on administration.”

— *With assistance by Josh Wingrove*