

NAFTA AND THE AUTO INDUSTRY

THE CANADIAN INDUSTRY

- ◆ The industry directly employs more than 140,000 Canadians. Mainly located in Ontario and Quebec, this is Canada's largest export sector.
- ◆ In 1992, Canada's total exports of automotive products to all countries were valued at over \$39 billion. Major exports include automobiles, light and heavy-duty trucks, buses and specialty vehicles, parts and accessories, and rubber tires. \$160 million to Mexico in 1992.
- ◆ More than 85% of Canadian exports are destined for the United States.

WHAT'S IN THE AGREEMENT

- ◆ Removal of Mexican and Canadian tariffs on most auto parts within 5 years and on all auto products within 10 years.
- ◆ The Canada-U.S. Auto Pact remains intact.
- ◆ Clearer rules of origin and a more precise and predictable method for calculating the North American content of autos and parts.
- ◆ Cohesive, new rules of origin for autos and auto parts, with a requirement of 62.5% North American content in two stages over eight years for light vehicles (including cars and light trucks), and their engines and transmissions, and 60% for other auto goods, to qualify for duty-free access to the U.S. and Mexican markets.
- ◆ New plants will have five years reach new content level; those undergoing major refits will have two years.
- ◆ Elimination, after 10 years, of Mexico's protectionist Auto Decree, which has distorted investment and restricted imports.
- ◆ Immediate, significant improvements in access for Canada into Mexico for autos produced by assemblers that already have operations in Mexico (i.e., the Big Three).
- ◆ Immediate access for Canada into Mexico for medium and heavy-duty trucks and buses.
- ◆ A Trilateral Automotive Standards Council will be established to deal with issues related to standards.
- ◆ Extension of duty drawback for two years beyond the FTA expiry in 1994. This will be replaced in 1996 by a permanent duty refund system that will reduce input costs for Canadian manufacturers who still pay duties on goods into other NAFTA countries.

BENEFITS FOR CANADA

- ◆ Canada-U.S. Auto Pact is preserved; auto rules of origin provisions of the Canada-U.S. Free Trade Agreement (FTA) are clarified.
- ◆ Canada's number one export industry has new opportunities and a key sector of the Canadian economy is strengthened.
- ◆ Canada has improved access to the Mexican markets -- the fastest-growing auto market in North America -- and barriers to Canadian exports are reduced immediately and removed at the end of 10 years.