

The Free Trade Agreement between Canada and the United States has adopted rules of origin to raise demand for North American automotive parts. Accordingly, Canadian manufacturers of automotive parts for the original equipment market are likely to experience an increase in orders for their products once the Agreement is in place. In addition, tariffs on replacement parts will be reduced in stages so that by 1998 all automotive parts for the aftermarket will be traded duty free. The schedule for the reduction in tariffs under the Agreement is reproduced in Appendix 7.

## **U.S. INDUSTRY OUTLOOK**

This section is based on the *1988 U.S. Industrial Outlook* published by the USDOC. This information provides a general forecast of short-term prospects and gives an indication of expected trends and developments in the U.S. auto parts sector. While such information may be of interest, readers should proceed with caution in utilizing the data for the following reasons.

Firstly, although the USDOC is the source of both the "U.S. Imports 1982-87" (summarized above) and the "U.S. Industry Outlook", two different systems of product classification are used. Differences may not be obvious. In some cases, slightly different titles reflect very similar sets of products; in others, similar titles for sectors or product groups encompass a slightly different mix of products. Thus the market forecasts in the "U.S. Industry Outlook" section may cover a slightly different mix of products than the rest of this report.

Secondly, while most sections of the "U.S. Industry Outlook" address the entire sector, others address specific products or product groups. Forecasts made at both levels should be assessed carefully, as they may differ significantly from the prospects of any individual product included within them. It is therefore recommended that outlook data be used only as a general indication of sectoral prospects in the near term.