

NAFTA - THE AUTO INDUSTRY

WHAT'S IN THE AGREEMENT

- ◆ Preservation of the Canada-U.S. Auto Pact;
- ◆ 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 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 to reach the new content level; major plant refits will have two years;
- ◆ A clear and straightforward method to calculate the North American content of autos and auto parts; content will be traced, thereby insuring a more accurate calculation;
- ◆ Extension for two years of duty drawback 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 shipped into other NAFTA countries;
- ◆ 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 which already have operations in Mexico (i.e. the Big Three);
- ◆ Immediate access for Canada into Mexico for medium and heavy duty trucks and buses;
- ◆ Removal of Mexican tariffs on most auto parts within five years and on all auto products within 10 years;
- ◆ Embargo for used cars maintained for 25 years;
- ◆ Canada retains its high safety and emission standards for automotive products; and
- ◆ Establishment of a Trilateral Automotive Standards Council to review issues related to automotive standards.

BENEFITS FOR CANADA

- ◆ Canada-U.S. Auto Pact is preserved; auto rule of origin provisions of the FTA clarified;
- ◆ Canada's number one export industry has new opportunities and a key sector of the Canadian economy is strengthened;
- ◆ Higher content rules create opportunities for auto parts producers, who employ two out of three workers in the auto sector;
- ◆ 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;
- ◆ The imbalance between Canada's open auto market and Mexico's highly restricted market has been addressed;
- ◆ Autos produced in Canada will have the same duty-free access to the Mexican market as autos produced in the U.S.;
- ◆ New rules of origin and improved dispute settlement procedures reduce the likelihood of customs actions such as the one against Honda;
- ◆ Creates certainty for the auto industry; Canada therefore remains a good place for foreign investors, including Asian auto manufacturers;
- ◆ Local content requirements for parts has been relieved and will be eliminated in 10 years; and
- ◆ Canada retains its high safety and emission standards for automotive products.