

AUTOMOTIVE SECTOR : QUESTION #3

The United States are saying that they will use these negotiations to get Canada to agree in increasing the North American content from 50 % to 60 % or even 70 %?

Background:

Canada-

Most vehicles and auto parts imported into Canada enter under the terms of the Auto Pact enter duty free. To qualify, at least 50% of the cost of production of the goods must originate in Canada. For goods not under the Auto Pact they generally qualify for MFN rates of duty at least 50% of the cost of production has been incurred in an MFN country. For the GPT tariff preference, at least 60% of the factory price of the good must originate in a country eligible for the GPT or Canada.

Ford, Chrysler, the APMA (Automotive Parts Manufacturers' Association) and the CAW (Canadian Auto Workers) favour a higher FTA automotive content rule and continue to press us on the issue, it remains Canada's view that there is no proven net gain for Canada from going to 60%: the potential significant losses in the assembly sector are not likely to be offset by the small gains expected in parts sector. A higher content rule could also discourage future Asian assembly and parts investment in Canada.

Mexico-

The rules governing domestic content for cars, light trucks, and heavy trucks and tractor trailers are laid out in the 1989 Automotive Decree. For cars, the 36% Mexican valued added requirement effectively affords a higher level of protection than do the Auto Pact Rule of Origin requirements as labour and in-house products are not admissible as domestic content requirements.

RESPONSE:

- THE AUTOMOTIVE RULES OF ORIGIN ISSUE IS NOT A NEW ONE. IT IS PRIMARILY THE U.S. AUTOMOTIVE INDUSTRY WHO WOULD LIKE TO SEE THE NORTH AMERICAN RULES OF ORIGIN RAISED FROM 50% UP TO 75 PERCENT. ON ITS SIDE, THE U.S. ADMINISTRATION HAS SAID IT WILL PUT THE ISSUE OF THE AUTOMOTIVE RULES OF ORIGIN ON THE TABLE DURING THE NEGOTIATIONS.
- AT THIS POINT, THERE IS NO OBVIOUS ADVANTAGE TO CANADA IN IMPLEMENTING A HIGHER CONTENT RULE. CANADA WILL NOT MOVE ON THIS ISSUE UNLESS IT IS PROVEN IT CLEARLY BENEFITTED THE CANADIAN INDUSTRY AND IMPROVED ITS COMPETITIVENESS.
- AS ON ALL ISSUES, WE ARE BE CONSULTING CLOSELY WITH ALL INDUSTRY MEMBERS: THE BIG THREE, TRANSPLANTS, PARTS PRODUCERS, UNIONS AND WORKERS.