

## AUTOMOTIVE SECTOR

### AUTOMOTIVE SECTOR : QUESTION #1

What will happen to Canada's automotive industry if a NAFTA is signed?

#### **RESPONSE:**

- FIRST, IT IS IMPORTANT TO REMEMBER THAT, BECAUSE OF MARKET FORCES AND PRIVATE SECTOR DECISIONS, WHETHER OR NOT A NAFTA IS SUCCESSFULLY NEGOTIATED, A CONTINENTAL RESTRUCTURING OF THE NORTH AMERICAN AUTOMOBILE ASSEMBLY AND AUTOPARTS PRODUCTION MARKETS IS ALREADY OCCURRING. THEREFORE, THE NAFTA IS A GOOD OPPORTUNITY FOR CANADA TO TAKE ADVANTAGE OF THESE ADJUSTMENTS TO SECURE ITS FAIR SHARE OF THE NORTH AMERICAN AUTOMOTIVE INDUSTRY.
- FOR EXAMPLE, UNDER THE TERMS OF THE AUTOPACT, 98% OF MEXICAN AUTO PARTS ALREADY ENTER DUTY FREE, WITH THE REMAINDER IMPORTED AT THE GPT RATE OF 6 PERCENT. ON THE OTHER SIDE, CANADIAN AUTO PARTS EXPORTS TO MEXICO FACE A VERY PROTECTIVE MEXICAN AUTO INDUSTRY DUE TO STRICT IMPORT QUOTAS AND HIGH TARIFFS. A NAFTA WILL ENSURE THAT RESTRUCTURING IN THE REMOVAL OF MEXICAN BARRIERS THAT DISTORT TRADE IN THE AUTO SECTOR, CREATING A LEVEL PLAYING FIELD IN TERMS OF THE FACTORS THAT DETERMINE WHERE AN AUTO MANUFACTURER WILL LOCATE. MOREOVER, A NAFTA WILL GRANT BETTER ACCESS FOR THE CANADIAN AUTO PARTS INDUSTRY TO THE MEXICAN MARKET.
- MEXICAN AUTO PARTS IMPORTS FROM CANADA ARE GROWING AT A HEALTHY RATE, 58% FROM 1988 TO 1989, AND WE EXPECT IMPORTS TO CONTINUE TO PLAY A MAJOR ROLE IN THE MEXICAN INDUSTRY. SIGNIFICANT GROWTH IS ALSO ANTICIPATED IN THE AUTO MAINTENANCE EQUIPMENT.

### AUTOMOTIVE SECTOR : QUESTION # 2

What will happen to the Auto Pact?

#### **RESPONSE:**

- THE SPIRIT OF THE AUTO PACT IS NOT ON THE TABLE. IF IMPROVEMENTS ARE SUGGESTED, THEN WE WOULD OF COURSE CONSIDER THESE, BUT ONLY IF THEY INCREASE THE BENEFITS OF THE AUTO PACT. WE PROPOSED THE CREATION OF A NEW CLEARER TRILATERAL RULES OF ORIGIN COUPLED COUNTRY SPECIFIC SAFEGUARDS