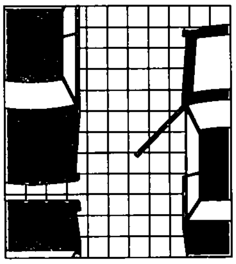
AUTOMOTIVE INDUSTRY



The automotive industry is the linchpin of Canadian manufacturing. In 1986, shipments of automobiles, trucks and parts were valued at $38 billion and employment reached 132,600. Production amounted to 1.9 million cars and trucks.

- Exports of vehicles to the U.S. amounted to $22.2 billion in 1986; of parts and tires to $12.2 billion. Corresponding imports totalled $11.4 billion and $17.9 billion respectively. Canada enjoyed a favourable balance of $5 billion in automotive trade with the U.S. in 1986.

- While the bulk of current Canada-U.S. trade is conducted on a duty-free basis by the traditional North American manufacturers, operating on a rationalized basis under the Canada-U.S. Auto Pact, a substantial and rapidly increasing amount of trade between the two countries is conducted outside the Pact ($3.3 billion in 1984).

- The automotive industry is the largest manufacturing sector in Canada, accounting for nearly 15 per cent of manufacturing shipments, 60 per cent of all manufactured exports, and seven per cent of manufacturing employment. Canada is the sixth largest assembler of cars and trucks in the world.

- A number of upstream industries deliver a significant share of their output to the automotive sector. These include iron and steel manufacturers, iron foundries, wire products, metal fabricators, rubber and plastic fabricators, textiles, aluminum rolling and extruding, glass and chemical producers.

- In the parts sector, 45 per cent of production is accounted for by the in-house operations of the vehicle manufacturers, 41 per cent by foreign-owned independents, and the remaining 13 per cent by several hundred small and medium-sized Canadian-owned, independent parts producers. After-market parts production accounts for about 15 per cent of total production and employs about 10,000 people.

- The assembly industry is foreign-owned and controlled. The Auto Pact has led to the restructuring of the Canadian parts and assembly plants to specialize in more limited product lines to exploit economies of scale. The industry is concentrated in Ontario (88 per cent) and Quebec (10 per cent).

In discussions of automotive trade in the bilateral negotiations with the U.S., Canada has not raised the Auto Pact nor will it bargain the benefits of the Auto Pact. Canada would only consider proposals that would result in more production, jobs and income for Canadian automakers.

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