**AUTOMOTIVE
PARTS &
ACCESSORIES
ASSOCIATION**

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September 30, 1985

Honorable Malcolm Baldrige, Secretary
U.S. Department of Commerce
Washington, D.C. 20230

Dear Mr. Baldrige:

Now that Canada's Prime Minister Mulroney has formally asked
President Reagan to explore Congressional interest in negotiating a
bilateral free trade agreement, the Automotive Parts & Accessories
Association (APAA) would like to link our knowledge of the U.S.
automotive aftermarket industry's needs to the skills of our
negotiating team to ensure that our industry is not imperiled by
any new pact.

Not only is the free trade proposal the centerpiece of the
Macdonald Commission Report on Canada's economic future, but the
concept also has many backers in the Administration and Congress
who wish to eliminate tariff barriers between principal trading
partners. We believe that the proposal warrants serious study, and
we recognize that there are sure to be some industry sectors in
both nations where a free trade agreement would prove mutually
beneficial.

We do not believe this would be the case for the automotive
aftermarket industry. We contend this because Canada has
introduced a new twist into our bilateral automotive trade -- the
lure of Japanese suppliers to use Canada as a springboard to launch
duty free original equipment exports into both domestic and
Japanese car assembly plants in the U.S.

Of course, both Canadian and Japanese parts makers view the U.S.
aftermarket as the major prize in world parts trade. The minimal
degree of tariff protection now afforded aftermarket products must
remain intact to absorb some of the shock of the price advantage
that the exchange rate alone guarantees aftermarket exports of
Canadian firms and a growing number of Canadian-based Japanese
firms.

We note that Canada has a longstanding commitment to a national
policy for its automotive industry. Concern for its supplier base
spurred the 1975 implementation of a duty remission program for
imported vehicles. The objective was to induce foreign-based