market and exports to countries other than the U.S. are minimal.

This export development plan focuses on marketing prospects for parts and accessories suppliers, particularly for the smaller independent firms. This group is composed of approximately 2,000 companies in Canada, often small and Canadian-owned, which manufacture original equipment and/or aftermarket parts. About 85 per cent of these companies are located in Ontario, 10 per cent in Québec and the balance mostly in the prairie provinces and British Columbia. The Ontario firms are situated along the Toronto-Windsor corridor and manufacture about 95 per cent of aftermarket parts.

Canadian parts and accessories production in 1981 was more than $4.3 billion in total. Production of aftermarket parts was about $700 million. More than 80 per cent of all parts produced were exported, largely to the U.S. The parts industry is limited in the range of products that it manufactures but is internationally competitive and sells products throughout the world.

Recent Canadian Marketing Activity

Automechanika, in Frankfurt, which is held biennially on even years, is the major European fair for aftermarket parts and accessories and draws potential clients from other European countries, including France. Canada's most recent participation was in September 1982, when 25 Canadian manufacturers exhibited; on-site sales totalled $475,000, and $9.7 million projected sales were generated. The next fair will take place in September 1984 and Canadian participation is once more anticipated.

In May 1981 and 1982, the government sponsored exhibits at the SITEV Geneva show. Nine Canadian firms participated in the latter show, which generated about $2 million projected sales. This fair is oriented towards the OEM, and affords Canadian companies the opportunity to meet with French vehicle manufacturers.

Early in 1982, officials from Renault visited Canada and met with the Automotive Parts Manufacturers' Association in an attempt to increase Canadian parts sourcing.

Canadian Success Stories

To date, in the OEM market, Duplate and Canadian General Electric are enjoying some success. In the aftermarket, Thrush, Tridon and Certified have gained recognition in the French marketplace. Table VIII shows that, in 1982, Canada's exports of automobile parts amounted to $3.2 million worth of parts which accounted for slightly less than one-tenth of 1 per cent of Canada's total parts exports (including engines and parts thereof).

Market Considerations

There is no specific policy of import limitations of automotive parts and accessories from Canada, nor are there any sigificant trade barriers. Automotive parts imported from outside the EEC are subject to the common external tariff. The rate of duty on automotive parts is 10.1 per cent ad valorem and the value-added tax (VAT) on most automobile products is 5.5 per cent or 18.6 per cent. Since 1982, all documentation must be in French. Although Customs is enforcing only part of this rule, i.e. commercial invoices, it is suggested that exporters ensure that all documentation, including insurance and transportation documents, be in French or contain a French translation.

The close working relationship between French suppliers and automakers is a key informal barrier. Additionally, differences in European and North American standards and the costs of modifying the equipment to meet French standards and OEM's specifications, represent a sizeable hurdle for the Canadian suppliers to overcome.

One of the current major hurdles is the weakness of the French franc vis-à-vis the dollar.

The Competition

The primary competitors are, of course, the French parts suppliers. The domestic vehicle and parts industry is very strong, having invested heavily in research and development. Also, an important source of competition originates from compensation agreements automakers have signed with various countries. The agreements have the effect of sharply limiting the open competitive market. Renault and Peugeot groups predict that, by 1990, approximately 10 per cent of OEM purchases will be from foreign countries in order to fulfill compensation requirements which support French exports.

Germany is the leading foreign supplier of various automotive products and holds about 40 per cent of the import market. The strength of the German position can be explained by the following factors:

- a significant portion of German parts exported to France is used for local servicing of German automobiles and trucks;
- important co-operation agreements, such as the Man-Saviem agreement for truck engines, exist between France and Germany;
- three large groups, Bosch, Zahmrad-Fabrik and Teres (an ITT affiliate), dominate exports to France. These firms are large-scale concerns with a high-technology and competitive edge and are thus able to effectively penetrate the French market.

Italy holds second place, accounting for 13 per cent of imports. Italian parts are shipped to UNIC, a French truck manufacturer controlled by IVECO, an Italian concern. Also, a large share of replacement parts are shipped to service Italian vehicles in France.