

## HOW DOES THE FREE TRADE AGREEMENT AFFECT THE AUTO INDUSTRY?

- The Auto Pact, including the safeguards, remains in place.
- All tariffs on automotive products will be eliminated within 10 years.
- Duty remissions linked to parts exports to the U.S. will be eliminated effective January 1, 1989.
- Existing production-based duty remission arrangements with offshore automakers who have established facilities in Canada will be honoured.
- A rule of origin requiring 50 percent North American value to gain duty-free treatment under the FTA will be applied to automotive products not covered by the Auto Pact.
- Duty drawback and Foreign Trade Zones will be changed to eliminate trade and investment distortion.

## HOW DOES THE FTA BENEFIT THE AUTO INDUSTRY?

- All Canada-U.S. automotive trade, including that now conducted under the Auto Pact, will be covered by a binding, comprehensive bilateral agreement.
- The new rules of origin will encourage vehicle assemblers operating outside the Auto Pact (the new Japanese and Korean plants) to purchase more parts from Canadian and U.S. manufacturers. These changes mean jobs.
- The Auto Pact remains in place, as do the penalties to be imposed in the unlikely event that a company should fail to meet the requirements.
- The duty-free entry provisions of the Auto Pact will be provided only to current participants. Canada's tariffs on imports from third countries are in place to protect domestic employment and production.
- The 60 percent Canadian value-added/cost of sales commitments of the Auto Pact companies are not changed in any way by the FTA.

Dept. of External Affairs  
Min. des Affaires extérieures

NOV 17 1987

RETURN TO DEPARTMENTAL LIBRARY  
RETOURNER A LA BIBLIOTHEQUE DU MINISTRE

43-246-731 (e)  
43-246-732 (f)