

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3256

15 October 1969

Limited Distribution

Original: English

UNITED STATES IMPORTS OF AUTOMOTIVE PRODUCTS

Third Annual Report by the United States

The attached report on the operation of the Decision of 20 December 1965 (BISD, Fourteenth Supplement, pages 37-42) has been transmitted by the Government of the United States.

The Decision of the CONTRACTING PARTIES of 20 December 1965 (BISD, Fourteenth Supplement, pages 37-42) authorized a waiver of United States obligations under paragraph 1 of Article I of the General Agreement to permit the United States to accord duty-free treatment to certain automotive products imported from Canada under the United States-Canada Automotive Products Agreement. In accordance with the provisions of that Decision and the procedures adopted by the CONTRACTING PARTIES on 1 November 1956, the following report covering 1968 is submitted to the CONTRACTING PARTIES.

I. Summary

Automotive products trade between the United States and Canada continued to expand rapidly in 1968 stimulated primarily by the Automotive Products Agreement. Two-way trade in automotive products reached a level of \$5.3 billion in 1968 compared with \$3.6 billion in 1967 and \$735 million in 1964.¹

Production in the United States and Canadian automotive industries has now been largely integrated. Some car models are no longer produced in Canada, and Canadian demand for such lines is supplied entirely from the United States. Productivity, particularly in the Canadian auto industry, has improved. Canadian assembly plants now specialize in fewer models with longer and more efficient production runs. The differential between higher Canadian and lower United States vehicle prices has narrowed. Considerable progress has been made toward the goal identified in the Agreement of a single motor vehicle industry serving the needs of the combined United States-Canada automotive market.

¹These and other statistics in this report are drawn from the President's third annual report to the Congress on the Operation of the Automotive Products Trade Act of 1965, the statute which permitted United States implementation of the Agreement.

The United States has no evidence that expanded automotive trade with Canada has damaged the interests of our trading partners. United States automotive imports from third countries continued to expand in 1968.¹ No requests have been received for consultations under paragraph 2 of the Decision of 20 December 1965.

In accordance with Article IV(c) of the Agreement, during 1968 the United States and Canadian Governments undertook a joint review of experience under the Agreement. During the joint review the two Governments also considered whether any further steps were now necessary or desirable for the full achievement of the Agreement objectives. No recommendation was made to Congress for any modification of the tariff coverage of the Automotive Products Trade Act of 1965 as a result of the joint review.²

II. Production in the motor vehicle industry, United States and Canada

Motor vehicle production in Canada was at a record level of 1.2 million units in 1968, an increase of 33 per cent from 1967 and 141 per cent above 1964. United States production totalled 10.8 million units in 1968, the second largest vehicle production year. Combined United States-Canadian motor vehicle production amounted to almost 12 million units, an increase of 20 per cent over 1967.

III. United States trade

Canada remains the single most important trading partner of the United States and accounts for about one quarter of our total merchandise trade. Total two-way trade between the two countries amounted to \$17 billion in 1968. United States merchandise exports to Canada were \$8.1 billion and imports were \$9 billion.

Trade in motor vehicles and parts between the United States and Canada

The process of integration of the two automotive markets continued in 1968. Consumption patterns in both the United States and Canada are similar. Consumers in both countries predominantly choose automobiles of North American design and make, and these are produced primarily by the same four companies in both the United States and Canada.

¹United States automotive imports from countries other than Canada increased by 63 per cent in 1968 to \$1.6 billion compared with \$1 billion in 1967. About 88 per cent of total United States automotive imports from countries other than Canada consisted of passenger automobiles, primarily sub-compacts.

²A special report on the review was submitted to the Congress on 4 September 1968. The special report contains additional information on subjects discussed during the review.

Total automotive products trade between the United States and Canada grew to \$5.3 billion in 1968, an increase of 49 per cent over 1967, and 624 per cent higher than 1964, the year prior to implementation of the Agreement. United States automotive exports to Canada were \$2,744 million in 1968 and imports were \$2,580 million. During 1968, United States automotive exports to Canada increased 37 per cent, and automotive imports rose 65 per cent. The rapid expansion of automotive trade is due primarily to the Agreement.

United States imports from Canada of passenger cars in 1968 rose 65 per cent to \$1,349 million while imports of motor trucks, buses, and chassis increased 66 per cent to \$448 million.

The terms of the Agreement cover only parts and accessories for use as original equipment in the assembly of motor vehicles and exclude replacement parts. In 1968, the United States imported \$732 million of original equipment parts duty free under the Automotive Products Trade Act and approximately \$50 million of dutiable parts from Canada primarily for replacement purposes.

Parts and accessories constituted 30 per cent of total automotive imports from Canada last year, compared with 65 per cent in 1964. Thus, under the Agreement, parts and accessories have come to represent a less substantial portion of total United States automotive trade with Canada. This is due primarily to rationalization of motor vehicle assembly in the United States and Canada, and the ensuing transfers across the border in both directions of finished vehicles.

The Automotive Agreement has also influenced production and trade of products closely allied to the automotive industry but not covered by the Agreement and not reflected in the statistics for automotive products. It is not possible to identify statistically the extent to which trade in such related products has been stimulated by the Agreement.

Trade statistics

As indicated in the second annual report (L/3020), the most accurate and comprehensive measure of total automotive trade between the United States and Canada for the period 1964-68 may be derived from the import statistics of the two countries. The export product classifications of both countries are not as detailed as are the import classifications and significant exports of automotive products, particularly parts, are not so identified as automotive. Thus, United States automotive export statistics are not fully comparable with the identification of automotive products in United States import statistics. Canada faces a similar problem with its trade data.

The following table has been constructed on the basis of United States Bureau of the Census and Canadian Dominion Bureau of Statistics import statistics to obtain as comparable coverage as possible. This table encompasses all automotive trade between the two countries including both duty-free trade under the provisions of the Agreement and dutiable automotive products not covered in the

Agreement. The import figures in the following table for both the United States and Canada are based on wholesale market values in the country of shipment. These values are established in accordance with legal requirements in both countries.

UNITED STATES-CANADA AUTOMOTIVE TRADE
BASED ON UNITED STATES AND CANADIAN IMPORT DATA¹
(US\$ million)

Subject	1964	1965	1966	1967	1968 ³
United States exports to Canada ²					
Passenger cars	41.0	116.0	291.8	613.0	831.8
Trucks, buses, chassis	21.2	41.7	86.1	133.8	196.0
Parts and accessories ⁴	597.1	771.7	1,037.9	1,254.3	1,716.0
Total exports	659.3	929.4	1,415.9	2,001.1	2,743.8
United States imports from Canada					
Passenger cars	21.9	84.1	370.7	818.0	1,348.9
Trucks, buses, chassis	4.7	23.7	158.3	269.9	447.9
Parts and accessories	49.3	139.2	360.2	474.1	783.0
Total imports	75.9	247.0	889.1	1,562.0	2,579.8
United States net exports	583.4	682.4	526.8	439.1	164.0

¹Tyres and tubes not included. Figures may not add to totals due to rounding.

²As measured by Canadian import statistics.

³Preliminary and subject to revision.

⁴Canadian imports of parts and accessories in 1966, 1967, and 1968 includes coverage of products comparable to United States automotive parts imports from Canada.

Source: United States exports - BDSA (Based on Dominion Bureau of Statistics) Data of Canadian imports from the United States, converted to United States dollars, exchange rate \$0.925.
United States imports - BDSA (Based on Bureau of the Census data).

United States automotive trade with countries other than Canada

Imports from third countries of automotive products amounted to \$1,647 million in 1968, an increase of 63 per cent over 1967. Imports of passenger cars alone totalled \$1,447 million. United States automotive exports to countries other than Canada were \$1,174 million in 1968, a 3.7 per cent increase from 1967.

The Federal Republic of Germany is the largest overseas supplier of automotive imports to the United States accounting in 1968 for about 60 per cent of all automotive imports from countries other than Canada. Automotive imports from Germany were \$993 million in 1968, an increase of 56 per cent over 1967. United States exports of automotive products to Germany were \$30 million in 1968.

United States automotive imports from Japan were \$266 million, an increase of 157 per cent over 1967. Automotive exports to Japan from the United States were \$27 million in 1968, an increase of 33 per cent over 1967. United States automotive imports from the United Kingdom, the third supplier, were \$145 million in 1968, an increase of 20 per cent over 1967.